

# FINANCIAL TIMES

FRIDAY MAY 3 1996



Israel

High-tech chutzpah



The Baltics **Profiting** 

from peace



Angola Diamond diplomacy



Weekend FT

Rugby: keep your eye on the money

#### French PM in drive to cut budget deficit

French prime minister Alain Juppė launched a big drive yesterday to reduce spending, trim civil servant numbers and axe government waste as the country seeks to cut its deficit enough to qualify for European Monetary Union. He has asked ministers to work on cutting this year's planned deficit of FFr288bn (\$56.14bn) to below FFr250bn next year.

US entry restrictions: Congress looks unlikely to tighten curbs on the legal rights and numbers of asylum-seekers and refugees trying to enter the US following a narrow Senate vote on part of the immi-

Fugitive 'would return': Fugitive Cypriot businessman Asil Nadir said he would return to Britain to face charges linked to his collapsed Polly Peck business if the ruling Conservative party lost the next general election. Mr Nadir skipped £3.5m (\$5.25m) bail in 1993. Page 9

London police launch new unit: Police in the City of London, the UK's financial centre, have set up a unit to fight money laundering. The unit is already investigating six big cases.



More than 120m Indians queued to cast their votes in the second day of the country's phased general elections, due to end on May 30. Opinion polls predict the Hindu nationalist Sharatiya Janata party will emerge as the biggest party, but short of a majority, with prime minister P.V. Narasimha Rao's Congress party in second place and the leftist National Front-Left Front alliance in third. India's poor have high hopes for change, Page 8

Extradition turned down: A South African court turned down a US request for the extradition of British businessman Paul Grecian, wanted on arms dealing charges, saying his alleged offences in the US would not have amounted to crimes if committed in South Africa.

Cuba complains: Cuba claimed the US blockade had cost it more than \$40bn and said that proposed US legislations was another attempt to blackmail Page 4

Deal on search for funds: Swiss bankers and Jewish leaders signed an agreement in New York setting up an independent commission to find if unclaimed millions in Swiss banks belong to Holocaust victims. Independent auditors appointed by the commission will be allowed unrestricted access to Swiss bank accounts.

**Mataushita enters telecoms:** Japan's biggest consumer electronics company is poised to take advantage of deregulations moves and start a long-distance telephone service. Matsushita aims to connect its own private leased lines to public telecoms networks and provide low-cost telecoms services to the public. Page 14

Sabena staff braced for job cuts: Workers for Belgian airline Sabena, which is 49.5 per cent by Swissair, have been told they face up to 1,700 job cuts or a 15 per cent wage reduction as part of costcutting plans. Page 15

Crédit Agricole takes control: French mutual bank Crédit Agricole, is to pay FFr6.3bn (\$1.22bn) for 51 per cent of Banque Indosuez, with an option to buy the rest by 2000. The Suez group said the deal, valuing Indosuez at FFr11.85hn, would more than wipe out its current debt. Page 15

**Australian wins business prize:** Australian Janet Holmes à Court, who owns 10 London theatres and has successfully restructured the empire of her late husband Robert, was named Britain's Businesswoman of the Year. Page 9

British fan jailed: English football fan Matthew Simmons attacked a lawyer in court after he was convicted of provoking Manchester United player Eric Cantona into a kung fu kick at a match last

year. Page 9	
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# Rapid US growth fuels rate rise fears

By Michael Prowse in Washington

A surge in US business investment led to unexpectedly rapid economic growth in the first quarter, intensifying fears yesterday that the Federal Reserve would be forced to increase inter-

Spurred by purchases of computers and other high-technology equipment, gross domestic prod-uct grew at an annualised rate of 2.8 per cent in real terms. This was nearly twice the rate expected by most Wall Street economists, and sharply higher than

the sluggish 0.5 per cent growth registered at the end of last year.
The Commerce Department figures prompted a sharp fall in bond and equity prices on fears that faster growth might put upward pressure on inflation and interest rates. The yield on the 30-year US Treasury bond rose past 7 per cent for the first time in nine months during early trading, while the Dow Jones Indus-trial Average fell 42.6 points to 5,532.59 by lunchtime.

The dollar weakened in line with the falls in US bonds. In London, the benchmark 10-year gilt fell by seven-eighths of a

point, while the FT-SE 100 index, also affected by the government's statement on National Power and PowerGen, reversed an early 23point gain to close 29.6 lower at The markets also reacted nega-

tively to reports of an unexpectedly large drop in claims for state unemployment benefits late last month - a sign of robust growth in the second quarter.

This is "clearly a strong eco-nomic performance" said Mr Joseph Stiglitz, the chief White House economist. "We believe the economy will continue on its path of sustained expansion." Mr Mickey Kantor, the com-merce secretary, said growth would have been half a percentage point higher but for special factors such as severe winter weather and a strike at General

Motors, the car company.

Growth was led by a surge in business fixed investment which grew at an annualised rate of 12.1 per cent, against 3.1 per cent in the final period of last year. The strongest component was computer purchases which grew at an annualised rate of 43 per cent from the fourth quarter of last

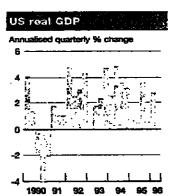
Consumer spending also

rebounded strongly, growing at an annualised rate of 3.5 per cent in real terms, up from 1.2 per cent at the end of last year. Total domestic sales, which include capital goods, rose 4.1 per cent

against 0.6 per cent.

Many economists also expect foreign trade to exert less of a drag than in the first quarter as growth elsewhere recovers. "It has got to make the Fed a little more nervous. We are in a period of above-trend growth,

Continued on Page 14 Bonds, Page 24; Currencies, Page 25; World Stocks, Page 34



### UK biotechnology group develops milk containing life-saving drugs

### Sheep are brought to market for £100m listing

By Daniel Green in London

The world's most valuable flock of sheep is to come to the stock market in a listing that would value its owner, biotechnology company PPL Therapeutics, at about £100m (\$151m).

The company that created Tracy, a genetically altered sheep whose milk contained a valuable protein, believes its technology can help sufferers of cystic fibrosis, stroke, heart attacks and cancer.

It has already created a flock of 200 sheep in Scotland whose milk contains various drugs.

The method promises to make

possible production of complex proteins that exist naturally in the human body. The £25m-£30m to be raised in a market listing next month will be used to put these proteins into human clinical trials with a view to launching products from 2001.

Mr Ron James, PPL's managing director, said: "We need to expand the farm and build another plant. We already have the world's only pharmaceuticals industry standard milking parlour." The parlour includes computers that detect transmitters in each sheep to track their medical and milking history.

"The retail value of the mate-

rial in a litre of milk is about £500. These animals are very well cared for." Mr James said. PPL's listing would be the latest in a series of sell-offs that have come during a period of

sharp share price rises in the biotechnology sector. The listing would be a boost



for the biggest shareholder. Apax, a London venture capital company. It first invested in PPL in 1990 and its 25 per cent stake has cost a total of £6m.

PPL is unusual in that there were no founding scientists and no directors will become millionaires as a result of the listing. The technique for inserting human genes into animals in such a way that the animal's milk contains a protein determined by the gene was developed at Scotland's Roslin Institute, an independent state-funded

PPL's main corporate partner porate partner, Bayer of Geris Novo Nordisk, a Danish pharmany, whose promise in 1992 to pay up to £10m for Tracy's genes, launched PPL on the road maceuticals company, which has

to a stock market listing.

and holds a 13 per cent stake. Novo and PPL are sharing the costs of developing protein C, intended to treat heart attacks, wounds heal after surgery. The company also has a part-

ploughed £6.6m into the venture

nership with American Home Products, on a milk that might be used to treat dietary problems, and three others with drug companies. But PPI, has lost its first cor-

### BT and C&W call off £34bn merger talks By Alan Cane in London

British Telecommunications and Cable and Wireless, the UK's two largest telecoms companies, called off merger talks unexpectedly late yesterday afternoon.

The talks which could have sulted in the world's third largest telecoms operator valued at some £34bn (\$51bn), foundered on price and a mismatch between

risks and opportunities.

The deal faced a formidable barrage of obstacles of a regulatory, political and business nature and analysts had never given the talks much more than an even chance of success. There was, nevertheless, a sense of disappointment at both companies that an opportunity to forge the world's first global telecoms carrier had been abandoned.

C&W said yesterday: While the concept of a merged global business had commercial and industrial merit, there was no prospect of solving the numerous problems the merger presented for the company in a reasonable

timescale. BT said: "The strategic opportunity was one that merited thorough evaluation. But our conclusion was that the risks, at this stage, outweighed the prospective opportunities."

The two companies have been talking sporadically to little effect for several months now, Lex, Page 14 | but yesterday's decision essen-

tially signals an end to negotiations. Under the terms of a confidentiality agreement governing the negotiations, neither BT nor C&W may, except in the event of a third party offer, acquire shares in the other without consent for

18 months. Mr Rod Olsen, C&W acting chief executive, said the failure of the talks would affect the company's plans for stability, growth and development. He said a per-manent chief executive, who is believed to be a respected north American telecoms executive, would be appointed shortly to replace Mr James Ross who left the company at the end of last year. The appointment has been in abeyance awaiting the out-

come of the talks. Analysts, pointing out that BT's chief aim in merging with C&W, was to strengthen its presence in the Asia-Pacific region where C&W has a majority stake in the lucrative Hongkong Telecom, expect it to continue discussions with other prospective partners and allies in the region including KDD of Japan, Telstra of Australia, Korea Telecom and Hongkong Telecom itself. BT has always acknowledged its preferred partner in the region was NTT, the principal Japanese carrier, and that prospective regulatory changes in Japan opened

> Continued on Page 14 Lex. Page 14

## German finance ministry set to issue short-term bonds

research centre.

By Wolfgang Münchau in Frankfurt

lows the Bundesbank's recent decision to relax its previously strong opposition. The German central bank, however, is known to be sceptical about the consequences of short-term instruments for monetary policy. The finance ministry said yesterday that "working level" talks

way, adding that a final decision might be reached soon. Lobbyists have long viewed the absence of a short-term bond market as a handicap for Frankfurt, fearing that it could lose out

place. But we see, of course, that the transition from the D-Mark towards the euro creates a new situation ... We will have to make a judgment as to how to adjust to this development."

As a compromise he suggested the creation of a short-term market that was large enough to

bank will try to persuade the German government to use short-term instruments only in

of European monetary union in the government has already ear (\$32.8bn) to be financed through short-term paper, if and when it

> German economists have estimated that a gross financing level of DM50bn a year would translate into a net market volume of about DM20bn.

> It is widely thought that the paper, which does not yet have an official name, will not be a quoted instrument, and will be marketed only in large denominations to the institutional inves tor market.

Mr Thomas Mayer, chief economist at Goldman Sachs in Frank furt, said: "It is evident that the idea of short-term instruments is gaining momentum. We have recently seen some trial balloons from the Bundesbank after the finance ministry has been pushing this for some time. It looks as if the U-turn is being made."

He said the government also hoped to benefit from low short-term interest rates and the steep yield curve.

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#### 1999, unless a short-term bond marked a provisional DM50bn market was allowed to develop. The German finance ministry This argument appears to have indicated yesterday that it been accepted reluctantly by the becomes available. expects to issue short-term gov-Bundesbank. Mr Johann Wilhelm ernment bonds in the near Gaddum, vice-president of the Bundesbank, said last month: The critical attitude of the The introduction of government bonds with a maturity of Bundesbank towards short-term less than one year would mark a significant development for Gerfinancing of long-term credit demand is well established. Our many's capital markets, and folreservations, based on monetary policy considerations, remain in

with the Bundesbank were under

against other European financial centres after the scheduled start moderation. For the 1996 budget

operate efficiently, yet not too large as to destabilise monetary It is believed that the Bundes-

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Yeltsin confirms

Russian President Boris Yeltsin yesterday reaffirmed his plan

Although the trip could be a high-profile boost to Mr Yeltsin's

campaign for re-election, some observers have warned it could

to travel to the war-torn Chechen republic later this month.

also become a political disaster if the president or his entourage were to be attacked by separatist forces.

But in an interview with a regional Russian television

station, Mr Yeltsin said yesterday that he was firm in his

intention to visit Chechnya. "Firstly, I have to thank the

the elders and thirdly to give a boost to talks," Mr Yeltsin

servicemen who have done a big job there, secondly to meet

The Russian leader said he was ready to meet directly with

separatists but insisted that Moscow would not budge from its

Chechen visit

# Bonn stakes its claim over multimedia

By Fraderick Stüdemann

The German government yesterday moved to ensure that it and not the Lander (federal states) will regulate the multimedia sector.

Mr Jürgen Rüttgers, the federal technology minister, unveiled proposals for a national law providing for information and communication services linked by telephone, computer or television screen to be treated as ordinary commercial activities and not subject to any limitations

on freedom to trade. Access to the market should require the same licence as any other busi-

The proposals are the latest twist in a battle between Bonn and the Länder over regulation of the sector, and are likely to be keenly contested in parlia-

"Our starting point is the freedom to enter the market of new services and, with that, the freedom to trade," Mr Ruttgers said. Any other position would create superfluous

bureaucracy.
The *Lünder*, which are work-

multimedia as broadly an extension of broadcasting, which they regulate.

Mr Bernd Schiphorst, chief executive of the online service company Bertelsmann-AOL, welcomed the government move. "We doubt the compemove. We doubt the compe-tence of the Lander," he said.
"Broadcasting is very strongly regulated and we want to avoid that with online

The Lander specify how many broadcasters can operate in their area and limit concen-

be open to anyone.

services." The market should

ing on a draft state treaty, see trations of ownership. Applicants for licences have to satisfy quality standards and vetting committees include political and church represen-

> The public sector broadcasting companies are in favour of Lander control, believing this will give them the chance to expand into the multimedia sector. "Our commercial competitors do not want us to go into multimedia and are therefore opposed to Lander responsibility," said Mr Peter Voss, director of Súd West Funk, a public sector network.

multimedia sector fear that the tussle between the federal government and the Lander over who will regulate the sector could lead to confusion in the

Next month the Bonn gov-ernment will publish its draft law, for which Mr Rüttgers' proposals are intended as a framework discussion document. The Länder are due to unveil their proposals in the

Mr Rüttgers said Bonn wanted to see consumer interests and privacy protected in

Commercial operators in the the multimedia sector, as well as legal measures against obscenity and incitement to racial hatred. He said responsibility for possibly offensive material on the Internet would lie with the creators and distributors of the material and not with the service providers.

Over the past year online service companies in Germany have been investigated by police on allegations of assisting in distribution of child pornography and racist material, which users accessed through Internet gateways provided by

#### letermination to keep Chechnya within the Russian Chrystia Freeland, Moscot Bayarian tax case conviction

EUROPEAN NEWS DIGEST

A Bayarian court convicted the son of a prominent German tax exile yesterday for evading about DM63m (\$41.4m) in tax in one of Germany's most spectacular post-war tax scams. Johannes Zwick, 40, was given a suspended sentence of 22 months in jall and ordered to donate DML63m to charity for making a false tax declaration on behalf of his father Eduard.

a tax exile living in Switzerland. The court heard that Bavarian officials helped Johannes Zwick and his entrepreneur father, known as the "Spa King" for a chain of health resorts he owns, to avoid paying tax. The judge said Johannes Zwick had submitted a false tax

declaration on behalf of his father, reducing a DM70m tax debt to just DM8.3m in 1990. Eduard Zwick admitted in an interview last year that he had managed to avoid the tax and that the late state premier, Franz Josef Strauss, who was a close friend, had helped him.

Reuter, Landshu

#### Belgian government survives vote The Belgian centre-left government of prime minister

Jean-Luc Dehaene survived a no-confidence vote in parliament yesterday over plans for an employment pact with unions and The governing coalition of Socialist and Christian Democrat

parties won by 88 votes to 66.

Mr Dehame's government has come under fire over the plan to cut unemployment by half by 2002. The plan was rejected by the Socialist-led trade union as in favour of employers. Socialist ministers were jeered and pelted with eggs by trade unionists during May Day rallies. Mr Dehaene has vowed to press ahead with the plan, which focuses on limiting salary increases to keep them in line with Belgium's main trading

#### Parthenon faces long repairs

Part of the northern face of the Parthenon in Athens will be covered by scaffolding for the next 10-15 years after a chunk of marble fell off the 2,500-year-old monume

The Greek culture ministry's central archaeological council yesterday announced the measure in the hope of preventing other pieces coming loose. The chunk that became dislodged was attached to the

temple during a previous restoration and the bonding material More than 4m tourists each year visit the Parthenon temple

on the Acropolis in central Athens. It was completed in 439 BC and is dedicated to the goddess Athena.

#### Move on Austrian bank secrecy A member of the Austrian government yesterday gave the

first hint it might be willing to compromise on the issue of anonymous savings accounts, which the European Commission seeks to abolish.

was quoted as saying the government might demand proof of identity from bank customers who wanted to open a new account. Existing accounts would be allowed to remain anonymous and parliament would tighten bank secrecy laws,

Mr Schlögl was talking after a meeting with Mr Mario Monti. EU single market commissioner. His proposals go only half way to meeting the EU's objections that anonymous banking violates EU directives on money laundering.

Other cabinet members immediately distanced themselves from Mr Schlögl's initiative. Mr Johannes Ditz, the economics minister, said the comments contradicted the government's official stance and a finance ministry spokesman said he was surprised by the proposal.

#### German industrial output rises German industrial production in March rose 2.1 per cent compared with February, a higher rise than expected by many

They warned, however, that while the coming months were expected to show stronger output figures, the March figures alone gave no indication of any rebound in the economy. The more reliable two-month figures, which compare March/ February with January/December and iron out sudden seasonal changes, showed that industrial production had

fallen by 1.5 per cent. Analysts cautioned that the March figures, which are

preliminary, may be revised downwards, especially because of sharp movements in the construction industry. Compared with the same two-month period a year earlier, industrial production fell 3.6 per cent. Analysts pointed out that the March rise was mainly due to the construction industry where output rose 12.6 per cent, following an 11.6 per

cent fall in February.

Michael Lindemann.
German import prices rose 0.3 per cent in March from February, while export prices rose 0.2 per cent. Import prices rose 0.4 per cent year-on-year and export prices climbed 0.6 per cent from March 1995. The rise in the import price index in year-on-year terms results partly from the fact that much of the D-Mark's early-1995 appreciation has dropped out of the

2.9 per cent in April from a year earlier to 183,600 units.

■ The trade surplus of the Belgium-Luxembourg economic union totalled BFr416bn (\$13.3bn) in 1995, up from BFr337bn in

# Germany set to change law on takeovers

By Frederick Stüdemann

The German government yesterday proposed changes in the country's competition law to bring national legislation into closer harmony with that of the European Union.

Among specific changes proposed by Mr Gunther Rexrodt, the economics minister, is one to double the threshold for referring takeovers to the cartel office from DM500m to DMIbn (\$800m) of total turnover of the companies involved. It is also proposed to scrap excep-

tions from takeover controls in transport, banking, insurance and agricul-ture. The energy sector is not covered by the draft proposal as the competi-tion regulation of that industry will be dealt with by a separate

The economics minister would retain the power to overturn cartel office rulings - as was done in the Daimler Benz takeover of the MBB defence company - but such actions

Retail price maintenance rules would remain for the sale of books. Mr Regrodt said this was necessary for reasons of educational and culbiral policy. The proposals were cautiously wel-

comed by German industry, which has lobbied heavily for changes in competition law. But the BDI industry federation said they did not resolved the differences between German and European law over the exact definition of takeovers and market

These are two key areas which need to be sorted out before one can talk about harmonisation," said Mr

Lothar Dressel, the BDI's competition law expert. European law on take-overs focused on how much one company would control, he said, while German competition authorities took a more was, ranging assessment.

"The result is that in Germany the authorities become involved at a much earlier stage," said Mr Dressel. The BDI, whose members have direct experience of working with both defiitions, believe the European one to be "more clear and more correct", he

On the issue of market dominance.

authorities take too narrow a definition for assessment, looking chiefly at the level of market share held by a company.

KU law also takes into account the overall state of a particular market when making an assessment.

The draft proposal now enters the consultation stage before being presented to parliament.

Mr Rexrodt said he expected the law to be passed before the end of the current parliament, which ends in

Looming election speeds the start | Bank loan of Albania's first stock exchange

### Bourse recruits experienced street dealers

By Marianne Sullivan in Tirana and Kevin Done in London

Mr Arben Vaqarri, 33-year-old former factory worker turned street trader. began a new career vesterday as one of Albania's first 10 licensed stock market dealers, as the Tirana bourse officially opened for business.

Isolated for decades from the rest of Europe by one of the world's most repressive Stalinist regimes led by Mr Enver Hoxha, Albania is finally acquiring the institutions of rudimentary.

Housed in the grand hall of the central bank, built in the 1930s Italian-style of King Zog, it is the first stock exchange in the country's history.

It has been rushed into operation less than five weeks before the general election, as the Democratic party govern-ment of President Sali Berisha seeks to convince a sceptical electorate that its programme of free market reforms is taking hold.

Trading, under the control of the Bank of Albania, is initially limited to treasury bills and privatisation vouchers. The market's regulatory

commission is currently registering companies to be listed on the market and equity trading could start before the end of the month, according to Ms Albina Karamitro, 33, the exchange's first chief execu-Foreign exchange trading

could begin later in the year. With no experience of operating a capital market, the central bank has looked outside its doors to the foreign currency traders that throng Tirana's dusty main square to find the budding dealers and brokers to man the market.

Mr Vaqarri, who started currency dealing on the street in 1991 with a \$400 loan from his brother working in Italy, is one of three street traders licensed

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to move into the stock market Selling currencies and

good living, he says. He can earn up to \$1,000 a month compared with average public sector salaries of between \$80 and \$100 a month. He believes the stock market will offer him more security, however, and free him from the worries of theft and counterfeit money.

vouchers on the street is a

Street dealers - a wad of notes in one hand and a calculator in the other - have dominated the foreign currency trade since the former commu-They have also had a virtual monopoly on buying and sell-

ing the privatisation vouchers the government began to distribute last year. The voucher market has been weak, however, and fewer than 20 per of the 1m Albanians awarded them invested in newly privatised companies.

The street traders say most voucher holders prefer to sell the vouchers for quick cash, even though the current urice is only 12 per cent of the nominal value of the vouchers. Inevitably some of the street

dealers who have not been licensed for the stock market are fearful for their futures and believe that the government will begin to crack down on

"Most of these people were unemployed and this is the only way they can make their living," says Mr Aleks Laco, a 41-year-old former ditch digger, who is now trading vouchers and currencies. Mr Vaqarri is much more

optimistic and plans to continue trading on the street in addition to the two days be will spend at the stock market. "The future will be in the stock market. But for now there is no way to stop this street trade where people come from all over Albania to buy and sell. It will only be stopped when there is a private bank in every

city and village." Ms Karamitro, standing yesterday in front of the three tables and telephones which for the moment comprise the stock market, acknowledges nation plithat this is only the beginning.

be respectively prime minister

and deputy premier. However,

an important power of veto is being exercised by Mr Massimo D'Alema, head of the Party of

the Democratic Left (PDS), the

### to patch Russian welfare net

By Chrystia Freeland

The World Bank this week approved a \$200m loan to help nend Russia's crumbling social welfare net.

Social services, such as healthcare and education, have been one of the biggest casualties in Russia's traumatic transition to a market economy.

The World Bank's commu nity social infrastructure project will be targeted on two areas: the Siberian city of Novosibirsk, which has been hard hit by the decline in defence-related industries; and Rostov, an agricultural city in the south, which voted heavily for Communists in last December's parliamentary election.

The programme will try to stem the decline in healthcare. education, water supply and santiation in these regions. Under the Soviet regime. many of these services were provided directly by factories,

and often ran and financed schools. But the shift to a market economy has compelled factory managers, trying to make their companies more profitable, to transfer responsibility for social welfare to municipal and

regional governments. However, poor collection of tax revenues and declining contributions from the federal budget have made it impossible for many regions to provide the old levels of social support. Russia's nascent bourgeoiste has flocked to costly private medical clinics and schools, which provide excellent care and education, but most people have been forced to make do with the crumbling, state-run system.

Among the most startling outward indicators of the decline have been a resurgence of cholera and other virulent infections, and a sharp fall in life expectancy.

The World Bank project aims to repair and build schools, and to equip selected hospitals with emergency rooms, intensive care units, operating theatres, central laboratories and central x-ray facilities. The programme will also finance repairs to water mains, chlorination plants and sewerage



Troops cross a new bridge, built by an Hor unit over the Sava river, that restores a route between

## which routinely supplied healthcare for their workers Displaced Bosnians test their ability to go home

By Bruce Clark in Brussels

A spate of attempts by displaced Bosnians to cross the former confrontation lines are only the beginning of a much bigger challenge for western policy-makers, according to senior diplomats in Brussels. About 30 times in the past few weeks, groups of displaced

people - mostly Moslems who were driven out of their homes by the Bosnian Serbs - have tried crossing the lines in order to assert the principle of freedom of movement. On two occasions this week

such expeditions ended in bloodshed: once in Doboj in northern Bosnia, where three people died from gunshots or mine injuries, and the other in Trnovo, south of Sarajevo. At least 12 groups of refugees managed to cross the lines successfully, while several other efforts were called off after proving impracticable. The question of how to respond to these line-crossing expeditions has become the

biggest single headache for

commanders of Nato's 60,000-

strong peace implementation tion.

force, known as Ifor. If Ifor troops try to prevent people crossing the line, they are vulnerable to the charge of consolidating ethnic partition; but if they try to help the refugees "fight their way through" they risk being caught in the middle of bitter and escalating intercommunal clashes.

Mr Carl Bildt, head of the

civilian part of the peace pro-cess, has warned local Serb leaders they are breaking the law if they shoot at refugees. But as diplomats involved in the peace process noted yesterday, the few hundred people who have so far tried to visit graves or celebrate the Bayram holiday in Serb-held land are only the beginning of the prob-

So far, trips by displaced persons have been brief sorties aimed at testing the lines' permeability. A procedure exists for handling them: the United Nations High Commissioner for Refugees (UNHCR) liaises between local authorities on both sides of the line and advises lfor and the UN police on the feasibility of the expedi-

A much bigger challenge will arise if people try to reclaim their old homes, whether to reoccupy them or claim com-

the number of Bosnians living outside their country who might try to return at around 900,000 - and even greater numbers have been displaced within Bosnia.

return actually do so. The need for maximum flexi-

problem is one of the main reasons Nato has decided to remain at full strength at least until September, when elec-tions are due to be held to a complex series of new interethnic institutions.

But, on current indications,

pensation.
The UNHCR has estimated

A huge problem could arise for Ifor and the host of civilian organisations working in Bosnia if even 10 per cent of those entitled to claim the right of

bility in handling the refugee

the risk of violent clashes between refugees and the new occupants of their old homes is unlikely to have been solved by the end of the year. That is when Ifor is supposed to pack

#### statistical base. New car registrations in France rose a seasonally adjusted

## PDS weighs heavily in Prodi's attempts to find balance

the composition of the next government has been all but decided. But the utter certainty with which lists of potential minister are published - and then revised the day after ence in the alliance contributed to its election victory. Mr underlines the delicate task for Dini wants the job of speaker the centre-left Olive Tree coalition in balancing portfolios. Formally, the job of choosing of the Chamber of Deputies rather than a ministerial post, but Mr D'Alema believes this a cabinet falls to Mr Romano Prodi, the Olive Tree's leader, would give him too much freedom to pursue his ambition of and his second in command. Mr Walter Veltroni, who will creating a new centrist bloc.

The PDS also wants to reward Mr Luciano Violante, a key party figure in the fight against the Mafia, and deputy speaker in the previous legisla-

which he has held since 1994. Until his role is settled, other important pieces cannot easily fall into place. For instance, Mr Violante would probably have to be found a portfolio if he cannot be speaker, and if Mr Dini goes to the foreign ministry, another important position must be found for Mr Giorgio Napolitano, a distinguished member of the PDS and, before

that, of the old Communist party (PCI).

The first problem is what to Dini is at the foreign ministry; doubt on Mr Prodi's efforts to in economic policy – especially of the conomic policy – especially of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the possibility of the conomic policy – especially of the policy – magistrate, who has been contemplating entering politics but took no part in the general election. He opposes recruiting Mr Di Pietro despite his public popularity. The stop on the former mag-

Robert Graham looks at some prominent contenders for posts in Italy's new cabinet

istrate has raised the question civil service in 1993. of how many non-MPs, if any,

should be included in the cabi-Mr Prodi wants Mr Carlo Azeglio Ciampi, former premier and central bank gover-

Flick, a widely respected judicial expert, Prof Luigi Sopaventa, budget minister in the 1993 Ciampi government, and Prof Sabino Cassese, an expert on the public administration, who initiated reform of the

However, most of the ministries will be distributed among the seven parties which are fully part of the Olive Tree. The PDS is likely to see its

mer mayor of Genoa. At least two outgoing ministers - Mr Tiziano Treu (labour) and Mr Augusto Fantozzi (finance) who are members of Mr Dini's Italian Renewal party - could continue in their jobs or be given dew ones.

President Oscar Luigi Scalfare is understood to prefer that the sensitive interior or defence portfolios should not be given to a former Commumre.

Mr D'Alema has also made nor, in the key treasury job to Vincenzo Visco, in one of the makes it likely Mr Antonio League's secessi.

The preferred post for Mr his presence felt by casting boost international confidence three economics portfolios; and Maccanico, the veteran state the north-east.

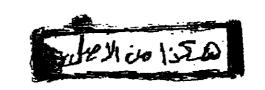
servant, will be given the inte rior job. One of the more interesting appointments could be the recruitment of Mr Massimo Cacciari, the philosopher mayor of Venice. Mr Cacciari was a dissident member of the PCI and has since become an

D'Alema. He has latterly become the unofficial spokesman for the economically dynamic Veneto, Italy's most pro-secession

independent leftwinger, close

to the PDS but critical of Mr

He could be given the job of regional affairs with a brief to chief economic spokesman, Mr nist or PDS member. This head off the populist Northern League's secessionist revolt in



first tour of

By Kerin Hope in Athens

Mr Costas Simitis, the Greek prime minister, today begins

his first tour of Thrace, one of

the European Union's least

developed regions and home of a sizeable Moslem minority

that claims it is discriminated

He is the first Greek premier

in 10 years to make more than

a brief election visit to this fer-

tile tobacco- and cotton-grow-

ing area where Greece borders

Bulgaria and Turkey. The

national frontiers are not in

dispute, but the presence of

about 120,000 ethnic Turks,

gypsies and Pomaks, whose

ethnic origins are hotly

debated, contributes to tension

Thrace is poised to become

western Europe and the Black

Sea. Aided by EU grants, work

is speeding up on the \$3.5bn Egnatia Highway, to run from the Adriatic to Istanbul. A

\$600m project to build an oil

pipeline from the Bulgarian

port of Varna to Alexandrou-

polis on the Aegean is making

Only recently have Greek companies started to exploit

government and EU subsidies that cover 60 per cent of the cost of building a factory in

"Applications for grants

have taken off in the past 18 months. It's not just the open-

ing up of Bulgaria and southern Russia that attracts

investors; it's the prospect of

exporting to a market of 10m

people in Istanbul, the same as

the whole of Greece," an

investment consultant says.

Mr Simitis wants to send a

message to Ankara that the

Greek decision to veto Tur-

progress.

between Greece and Turkey.

an important link between

against by Greek authorities.

Thrace today

Korpotini Sozioniki

GREECE AEGEAN

Patres Attiens

EU, intended to put pressure

on Ankara to accept interna-

tional mediation in the two

countries' dispute over the

Aegean, does not rule out bet-

ter medium-term ties. Address-

ing the problems of the Mos-

lem minority is one way of

indicating Greece is serious

about wanting to improve ties

with Turkey, says a Greek offi-

Mr Simitis will also be can-

vassing support from Socialist

party (Pasok) members in

Thrace, including the minori-

ties, for his attempt to take over the party leadership from Mr Andreas Papandreou, whom he succeeded as prime

minister in January. Provincial

delegates' votes are likely to

decide an election contest

between Mr Simitis and Mr Akis Tsochatzopoulos, public administration minister, at

The 80,000 ethnic Turks com-

plain they face discrimination

on jobs, education and prop-

erty. But conditions for the

30,000 Pomaks who live near the Bulgarian border have improved. New roads and two

new border crossings with Bul-

Pasok's congress in July.

way May 3 1996

the street

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#### CORPORATE FINANCE

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curriculum vitae to Box A5342, Financial Times, One Southwark Bridge, London SE1 9HL

# Simitis starts | US fund managers furious at Polish sacking

facing a potentially damaging conflict with foreign investors following the dismissal of two US fund managers from one of 15 National

Investment Funds. The NIFs were set up last July when nearly 500 Polish companies were privatised as part of the country's Mass Privatisation Programme (MPP). Foreign fund managers were invited to join fund management companies and share their expertise with Polish

partners. But Wasserstein Perella and New England Investment, which teamed up with KNK Finance and Investment, a Polish consulting firm, have been dismissed as managers of Fund Number 11 by their Polish

The fund management company in which they had a 50 per cent stake and management control was dismissed and the fund taken over by Mr Ireneusz Nawrocki, one of their former partners, and the chairman of KN Wasserstein, the management company set up in July 1995 by the two US companies and their Polish partners to manage the 33 companies allotted to the fund by

the privatisation programme. Management control was vested in Perella. "This was our main condition for agreeing to work with our Polish

Christopher Bobinski in Warsaw and Anthony Robinson in London report on a serious conflict in the making with foreign investors

them," Mr Paul Pittman, a director of Wasserstein Perella and investment manager of the Polish fund, said in London. He described his Polish part-

ners' action as "expropriation of a business we set up and organised". The company "has been taken away from us improperly and handed over to the supervisory board and Mr Nawrocki", he added. What has most enraged the two US companies is that the

letter from the fund's supervisory board dismissing them accused them of negligence, and made this the main ground for unilateral termination of their fund management agreement. "We were not negligent in any way. They have fabricated reasons for the termination of a 10-year contract with a mere piece of paper," said Mr Pittman.

By charging the US firms with negligence the Polish partner is believed to have sought to avoid payment of around \$1.5m in compensation. The US companies now intend to argue their case through the

international courts. Mr Nawrocki argues that the focus of the mass privatisation programme "has changed from doing deals and conventional partners and was accepted by

Foreign companies involved in Polish fund management consortia

New England Investment Cos (US) Paine Webber (UK) Wasserstein Perella Emerging Markets (US) BZW (UK) GiroCredit (Austria)

**UNP International Holding** (Canada/UK) Murray Johnstone (UK) Raiffeisen Zentralbank (Austria) W.S.Atkins (UK) Kleinwort Benson (UK) Chase Manhattan (US)

uring companies. This requires different skills and a longer time span," he said. "Most of the foreign companies involved in the funds are skilled at

GICC Capital Corporation (US)

Lazard Frères et Ĉie (France)

KP International (US)

Banque Ariil (France) Banque Nationale de Paris Yamaichi (Japan) Regent Pacific (Hong Kong) Central Europe Trust (UK) Charterhouse Development Capital (UK)

Crédit Commercial de France (France) Creditanstalt-Bankverein (Austria) SCG St Gallen (Switzerland)

Nawrocki is an old friend and confidant of Mr Wieslaw Kaczmarek, the privatisation minister. Last year, the minister appointed Mr Nawrocki to

'They [Poles] have fabricated reasons for the termination of a 10-year

contract with a piece of paper' doing deals but take a head the supervisory board of short-term view." head the supervisory board of the copper company Polska Mr Nawrocki's views are par-

the copper company Polska Miedz, the country's most profitable company and due to be partially privatised later this ticularly unsettling to foreign fund managers because Mr

the latest in a number of dis-putes involving foreign fund

canagers. Last summer, one of the government-appointed supervisory boards, equivalent to the board of directors, decided to run Fund 9 without the help of a foreign management company. This followed disagreements within the potential manage-ment team which included ING, the Dutch banking group, and Warta, a Polish insurance

Investment bankers in London involved in the mmp said yesterday the position of several other foreign fund manag ers was under threat as their Polish partners had realised the potentially lucrative nature of the fund management con-tracts and were seeking ways of elbowing their foreign partners aside.

"Under the MPP management rules fund managers receive 1 per cent of the shares in the fund per year for the first nine years of the 10-year contract and 6 per cent in the

final year. They also receive annual management fees of between \$3m-\$4m a year to cover operating expenses," one invest-ment banker said. "Meanwhile

Polish financial markets gives the foreign fund managers a unique opportunity to position themselves for future sales of pensions, foreign funds and other financial products as Polish incomes rise and the sophistication of Polish inves-

tors increases." he added. The current row over Fund 11 has wider political implications. The privatisation programme was the brainchild of the first Solidarity government in 1990 but only implemented last July.

Foreign fund managers now question whether the govern-ment headed by former Communists is as committed to the principle of expert foreign management for the funds as the former Solidarity government, for whom it was a key element.

The funds are also under attack from the Solidarity Poland's rightwing nationalist opposition.

They want the MPP to be programme amended to incorporate elements of Czech-style coupon privatisation. The Solidarity union is

organising 15 committees, one for each fund, to co-ordinate action by trade unionists.

The unions threaten to resist

any closures proposed by fund managers as part of their strategy to reorganise and add value to their portfolios.

## Romania set to re-license banks

in an interview.

strict limits.

commercial banks.

The move was prompted by

alleged irregularities at sev-

eral banks, rapid depreciation

of the leu and segmentation of

the Forex market. Private

banks and licensed exchange

bureaux had consistently quoted weaker rates for the leu than the country's big four

Mr Isarescu said turnover in

the market, which fell sharply after the March measures, had

By Virginia Marsh in Bucharest begun to recover and was averaging \$18m a day. How-Romania will soon re-license ever, private bankers say there ceveral hanks as market-mak. is still little activity. ers in its inter-bank foreign . He insisted no attempt exchange market now that the would be made to "fix" the country's Forex crisis has exchange rate; stricter banking supervision and Romania's abated, Mr Mugur Isarescu,

key's customs union with the garia will end their isolation.

central bank governor, said improved financial situation would enable the market to "It is clear we would like more banks and we intend to function correctly. The country has recently include at least one foreign returned to international capibank. This is necessary for the tal markets after an absence of credibility of the market. We will do this very soon," he said

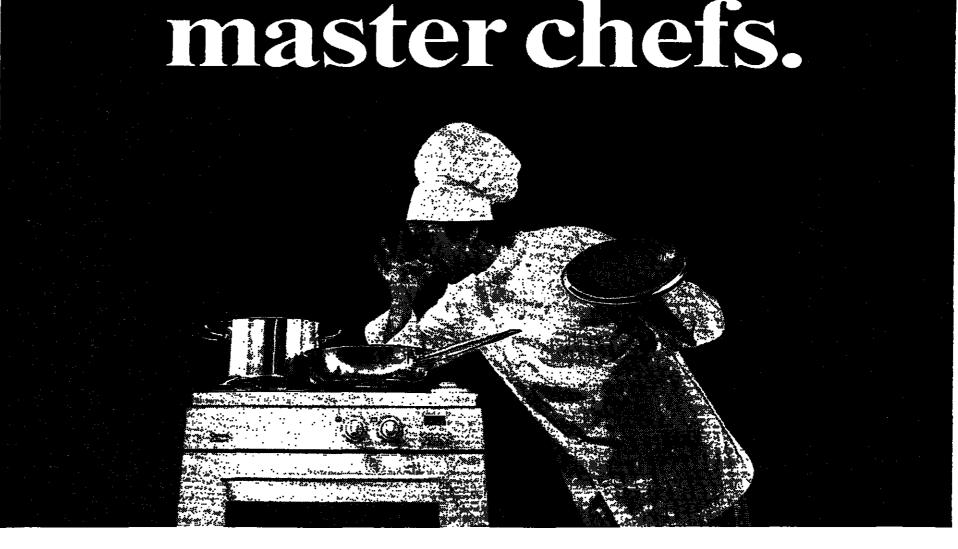
over 10 years and is expected to launch its first international bond next week. It In March, the central bank hopes to raise \$380m in a Samwithdrew Forex dealing ural issue and plans its first eurobond in the summer. licences from all but four banks and restricted others to In recent years, Romania trading in the market only on behalf of clients and within

has faced severe balance of payments problems and has had to depend on international financial institutions for external financing. Central bank reserves recently fell to \$200m-\$300m. Forex market problems caused the International Monetary Fund to withhold expec-

ted funding. Analysts say urgent steps are needed to boost confidence in the financial sector, and that state banks have not made enough provision for

non-performing debts.

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### **Saudis** start talks on joining the WTO

By Frances Williams in Geneva

Saudi Arabia yesterday began negotiations with trading partners on its bid to join the World Trade Organisation. The talks are expected to last well into 1997 or beyond - though Saudi officials yesterday said they koped for entry next year.

The oil-rich kingdom, which ranks as the world's 26th largest exporter, is seeking WTO membership mainly as a way to expand markets for its manufacturing exports, notably petrochemicals.

"It is a question of marketing our petrochemicals, which face a lot of trade restrictions in various European countries as well as in the US," said a Saudi

Saudi Arabia applied to join Gatt, the WTO's predecessor, in July 1993 but these negotiations had made little progress by the time the WYO was one ated in January last year. Yesterday was the first meeting of the WTO's working party on Saudi membership.

Saudi Arabia hopes to join the WTO as a developing country, which will give it more leeway in applying some of the organisation's fair trade rules. But trading partners yesterday raised various concerns, including access for farm goods, non-tariff barriers to imports and export subsidies.

The US, which has put Saudi Arabia on its "watch list" for violations of intellectual property rights, is expected to press Riyach to adopt tough legislation to enforce copyrights, patents and trademarks.

Of the six members of the Gulf Co-operation Council, Kuwait, Qatar, Bahrain and the United Arab Emirates are already WTO members. Oman has not yet applied. Membership negotiations for the UAE, the latest to join, took nearly two vears.

 Representatives of the World Travel and Tourism Council yesterday met Mr Renato Ruggiero, WTO director general, to reiterate the council's support for liberalisation of tourism services and stress the potential for creating jobs.

# Cuba says US blockade cost it \$40bn

By Roger Matthews in Johannesburg

Cuba yesterday hit out angrily at the US, claiming that its blockade had cost it more than

Speaking at the United Nations Conference on Trade and Development (Unctad), Mr Ricardo Ruiz, the minister of trade, said proposed US legislation was a further attempt to blackmail other countries and deter foreign investors.

"Over the years, the US blockade, as expressed by laws, acts of force and intimidation has cost the Cuban economy more than \$40bn," he said.

"This is far in excess of any damage done to the US economy through Cuban expropriation of US property. And the US has ruled out any bilateral negotiations on the issue of possible compensation for

expropriations," said Mr Ruiz.
The minister added that new US legislation, which proposed imposing penalties against companies or countries doing business with Cuba "was an attempt, to intimidate foreign countries and private institutions". He said Cuba welcomed and appreciated the expressions of condemnation made against the US move by "vari-

ous governments, parliaments

and business organisations". South Africa has particular sympathy for the Cuban plight. and President Nelson Mandela has several times expressed his gratitude to President Fidel Castro for his support during

the struggle against apartheid. Trade delegations from South Africa have recently visited Havana, and Cuban doctors have been recruited to assist in healthcare programmes, particularly in rural

opposition to the US move was the British delegation, headed by Mr Anthony Nelson, the trade minister. He said earlier

this week that the issue would be raised with the World Trade Organisation.

 A two-month dispute between Cuba and a trading company from Russia over a sugar-for-oil contract is still unresolved and is threatening further delays in implementing a strategic government-to-government trade deal, writes Pascal Fletcher in Havana.

Cubazucar, the Cuban state sugar marketing company, has rejected allegations made by the Russian company, Alfa-Eko, of delays in Cuban sugar shipments. It said Alfa-Eko was seeking to renege on their original agreement. "We signed solution based on what was signed," a Cubazucar spokesman said.

Lawyers from both sides are discussing the dispute, which has disrupted part of a sugarfor-oil deal agreed by the governments of Cuba and Russia

Alfa-Eko was responsible for implementing half of this deal. which foresees overall the exchange of 3m tonnes of Russian oil for 1m tonnes of Cuban raw sugar.

Cubazucar said that on March 5 Alfa-Eko announced it would not ship any more oil unless Cuba met its demands.

equally appalled by China's

human rights violations and

its bullying of Taiwan line up

together. Last month a biparti-

san group of legislators -

including Mr Tom Lantos, a California Democrat, and Mr

Dana Rohrabacher, a Calif-

ornia Republican - warned

China that its behaviour on

Taiwan was "profoundly desta-bilising to the entire region".

Mr Lantos predicted that a

majority of the House would

vote against a renewal of MFN.

It is even possible that the

House could override a presi-

dential veto, although the pro-

MFN coalition is likely to hold

Congress may not even try

to overturn his decision, but

may instead pass its own sanc-

tions and Mr Clinton might go

along with them, especially in view of the fact that Ms Char-

lene Barshefsky, acting US

trade representative, achieved

only "mixed" results on a

Signals are not enough, an

administration official said.

There must be deliverables."

close more of the plants which

are now producing record lev-

els of stolen compact discs,

videos and computer software.

He went on: "Beijing must

recent trip to Beijing.

in the Senate.

### Thais in \$1bn Airbus order

WORLD TRADE NEWS DIGEST

for 1997-1999 delivery in a move to rationalise its diverse fleet. The \$1.1bn order, subject to government and shareholder approval, is part of the carrier's five-year, \$4.37bn plan to buy 21 new aircraft to replace 31 craft being taken out of

In February, Thai Airways chairman Siripong Thongyai said the airline was trimming the number of aircraft models in its 73-plane fleet to six from 14. The announcement on Airbus orders followed Thai Airways' decision in mid-March to buy six Boeing 777-300s for about \$1.04bn.

Apart from five Airbus 300-600s, four Airbus 330-300s, and six Boeing 777s ordered since March, other new aircraft to be acquired in the next five years include four Boeing 737-400/500s and two Boeing 747-400s. The new aircraft will be mostly powered by engines from General Electric, Pratt and Whitney and Rolls-Royce. Reuter, Bangicol

#### Olympic 'pimple' contract won

A A\$40m (US\$31.7m) contract to remove unsightly power lines, which would have marred television shots of the Sydney Olympics Games, has been won by the cable division of Pacific Dunlop, the Melbourne-based conglomerate.

The contract results from an adverse comment made by Mr Dick Ebersol, president of NBC Sports, during a visit to Sydney last August when he called the 5km of criss-crossing power lines "a pimple on the face of a beautiful woman". NBC paid a record US\$715m for the US television rights to the 2000

The New South Wales state government will meet half the cost of removing the power lines, while the remaining A\$20m will come under a sponsorship agreement involving the Sydney Organising Committee for the Olympic Games and Energy Australia, the local electricity utility. The lines will be Nikki Tait, Sudner

### Lucas to supply Ford gas tanks

Lucas Industries, the UK automotive and aerospace group, is to supply Ford in the US with high pressure on-board fuel tanks for natural gas powered versions of Ford's F Series pick-up truck and the Econoline panel van. Lucas' aerospace subsidiary is to design and manufacture the tanks under a contract expected to be worth at least \$50m over the life of the

With nearly 700,000 sales last year, Ford's F Series truck is the biggest-selling vehicle in North America while the Econoline, with more than 150,000 units sold last year, is the US panel van market leader. While most of these are petrol-powered, Ford has been concerned to make its own natural gas powered versions available to meet tightening exhaust emissions standards. John Griffiths, London

#### Romania stamps on smuggling

Romania yesterday imposed cigarette duty stamps in a bid to comhat smuggling, tax evasion and counterfeiting. Press reports said finance ministry officers would confiscate packs which did not have stamps and issue fines of up to 20m lei (\$6,870). Taxes on luxury foreign brands can be as high as 300 per cent while local cigarettes carry a 45 per cent duty, making cigarette smuggling lucrative and widespread

Western cigarettes sell for less than \$1 a packet in Bucharest. RJ Reynolds of the US, which opened a factory in Bucharest last year to produce some of its lesser-known brands, expects Agencies, Buchares

## China is finding little favour in US

Nancy Dunne assesses the mood as Beijing's trading status comes up for renewal

t is that time of year again in Washington, when the administration and Congress address the vexed question of whether China should continue to be treated as favourably as most of America's trading partners.

The matter will have to be resolved by June 4, when President Bill Clinton will announce whether to renew what the world's trade fraternity calls Most Favoured Nation status. The odds are that he will do it. But the decision this year is, like so many other policy issues, made more complicated because it is an election year. And relations with China stir ballot-sensitive political emotions like few other foreign pol-

icy issues. So members of different departments of Mr Clinton's administration have been outting their heads together to come up with a strategy that addresses its latest conflicts with China over intellectual property and alleged nuclear proliferation - which at the same time remembers the voters. "We need to get our ducks in a row before the MFN thing gets done," said one administration official.

When this week Washington put China at the top of its list of countries failing to protect intellectual property, it was a warning of trouble to come. The move could mean the imposition of up to \$2bn in punitive tariffs on Chinese

'The Chinese make it very difficult...their behaviour and the size of the trade deficit create extreme difficulties in Congress'

Maintenance of China's MFN status has been a key element of Mr Clinton's policy of "comprehensive engagement", which seeks to "manage" the US-China relationship on a variety of fronts, including trade, nuclear non-proliferation and regional harmony. "The idea is to bring China to the table as a responsible player accepting international rules," an administration official said. Whatever the president

him by majority vote. In turn the president can veto the override in the hope that Congress does not do the same with a two-thirds majority. The perceived failure of China to behave responsibly particularly in the live missile war games across the Taiwan

decides, Congress can override

China's soaring surplus with the US 4-14-51 Imports from US Exports to US 90 91 - 92

straits - has made this strategy vulnerable to political

Even though tensions now have eased on Taiwan, and China seems inclined to be helpful in negotiating a settlement on the Korean peninsula, the administration must deal with complaints that Beijing's human rights record has only grown worse, that it is alleged to have sold dual-use nuclear technology to Pakistan and that its large trade surplus with the US (\$40bn last year) is

growing.

Mr Clinton must have some co-operation from China if he is to take on his critics. Business lobbyists are also hoping for help from Beijing. Year after year they trudge to Capitol Hill hawking their vision of profits to be gained from China's market of 1.2bn. But the dreams are getting old, and many lobbyists are dismayed at having to defend much that is indefensible.

"The Chinese make it very difficult to help them," says Mr Peter Watson, chairman of the International Trade Commission. In an election year, their behaviour and the size of the trade deficit create extreme political difficulties in Con-

If China intended to send a message last month, apparently awarding two large aircraft contracts to European manufacturers, the move may have backfired. Congressmen have just been given new cause to complain. In Congress coalitions are

forming and reforming across party lines. Liberal Democrats

#### It must also give market access to foreign intellectual property industries - films, recordings, software, books - who propose to use up to 3m tax stamps a week. doing legitimate joint ventures

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### PROPOSED MODIFICATIONS OF THE LICENCE OF MERCURY COMMUNICATIONS LIMITED (MERCURY)

**CONTRACTS & TENDERS** 

 The Director General of Telecommunications (the "Director"), in accordance with section 12 (2) of the Telecommunications Acz 1984 (the "Acz"), hereby gives notice that he proposes to make modifications to the isoance granted to Mercury Communications Limited on 5 November 1984 (the "Mercury Licence").

2. The principal modifications which the Director proposes to make are described in low. The Director also proposes to make a number of minor and consequential modifications for the purposes of the principal proposed modifications.

3. A review of Mercury's figence concluded that certain conditions in the licence are obsolete, that others are not appropriate to a non-dominant operator and that obligations in Mercury's licence requiring advance publication of charges operate too harshly given Mercury's non-dominant position in most markets overall. He proposes that Mercury be subject to a requirement of effective day publication of charges, it is also proposed that the interconnection and Associates conditions should be brought up to date.

4. The Director is required by section 12 (2) of the Act to consider any representations or objections which are duly made and not withdrawn. Following consultation and Mercury's agreement with them, the Director proposes to make the modifications forthwith.

5. The consultation procedure comprises two stages. In the first stage, representations on or objections to the proposed modifications may be reade to David Naylor, OFTEL, 50 Ludgate Hill, London EC4M 7] (calaphone 0171 634 8706) no later than friday 31st May 1996.

Any confidential material should be clearly marked as such and separated out into a confidential atmost. All representations or objections received by OFTEL, with the exception of material marked confidential, will be made available for inspection in OFTEL's library. OFTEL encourages interested parties to place the non-confidential parts of their representations, objections and comments on their non-confidential parts of their representations, objections and comments on the own internet pages, in addition to sending OFTEL a hard copy. Comments on this document (if they are relatively short) can also be sent to OFTEL at the following e-mail address: press.office.oftel@gmet.gov.sk.

6. In the second stage of consultation, interested parties are invited to send comments to OFTE, no later than Friday 14th June 1996 on the representation. and objections received in the first stage. Copies of the proposed modifications can be obtained from Nail Horgan at the above address (telephone 0171 634 8862).

#### **SCHEDULE**

osed principal modifications of conditions of the Mercury Scence I. Deletion of outdated conditions.

It is proposed to deless the following conditions which are now no longer necessary. Condition 6 - Calls made by Emergency Organisations. The Condition requires Mercury to have operators to connect calls in circumstances when they cannot be dialled direct. Because it is now possible to direct dial Emergency Organizations, the condition is redundant

Condition 39 - Numbering arrangements. This has been superseded by Conditions 30A and 308 to Mercury's licence.

Condition 36A - Requirement to provide means of access to the Applicable Systems. This condition imposes an obligation on Mercury to provide access to its Applicable Systems, in conformity with certain standards which have now been superseded

2. Deletion of conditions inappropriate to an operator in Mercury's position. There are a number of conditions which are unnecessary for an operator such as Mercury. They are not found in licences granted to other operators in a comparable position to Mercury. In view of Mercury's market position overall it is reasonable that it should be put on the same footing as other comparable. operators. The conditions to be deleted currently provide as follows:

Condition 9 - Priority fault repair service. This requires Mercury to offer a priority fault repair service to particular groups of customers. Condition 17 - Prohibition on cross-subsidies. This gives the Director a power to control unfair cross-subsidies to Mercury's Apparatus Supply, Apparatus Production, and Supplemental Services Businesses.

Condition 19 - Separate accounts for certain activities. This requires the keeping of separate accounts for Mercury's Apparatus Supply Business, its Systems Business and its Supplemental Services Business.

Condition 20 - Apparatus production. This requires any apparatus supply business which Mercury may have to be a separate subsidiary.

Condition 21 - Prohibition of preferential treatment. This condition requires Mercury's systems business not to give preferential treatment to any apparatus supply business which it may have.

Condition 32 - Prohibition of certain exclusive dealing arranger This condition would impose certain requirements on Mercury if it were deemed to be a Monopoly Purchaser of telecommunications apparatus. Condition 36 - Prohibition of non-statutory testing arrange condition prevents Mercury from Imposing cests on apparatus to be connected to

its network, over and above those required for apparatus approval under the

Condition 37 - Statutory testing. Mercury does not undertake statutory testing (and never has). Nor does it have any plans to enter this area of work. Condition 38 - Limitations on Integrated wiring situated on served premises. This condition prevents Mercury from installing its wiring in such a way as to prevent work on other systems installed on the premises. It is intended to prevent a dominant operator using its position to distort the apparatus (in wiring) supply and maintenance marines. These issues are now covered in the OFTEL Wiring Code.

Condition 39 - Wining, etc. not forming part of the Applicable Systems.
This condition seeks to ensure that, in installing lines, Mercury does not favour
its own Businesses (Apparatus Supply and Maintenance) at the expense of thirdparty suppliers.

ndition 40 - Limitations on certain ma Condition 40 - Limitations on certain maintenance arrangements This condition covers the publication of charges, terms and conditions for Maintenance Services which the customer can only obtain from Mercury. Condition 45 - Pre-notification of joint ventures. This condition requires Mercury to notify the Director of certain agreements or arrangements.

3. Effective day publication. Condition 15 - Publication of charges, terans and conditions. This condition at present requires Mercury to publish and notify the introduction of charges to tariffs 28 days in advance. Following the Post Duopoly Review, in similar PTO licentees a licensee only has to publish its tariffs once the licensee is deemed a "well established operator", baving attained a 25% share of the market for a given relecommunications service. Whether this negime should continue to apply, or should only apply to some of Mercury's surfils, will be the subject of a lar decision. In this meantime, it is proposed to remove the requirement that Mercury gives 28 days notice of a price charge, which fetters Mercury's ability to compete with other operators on an equal footing. The proposed amendment to Condition with other operators on an expal fooding. The proposed amendment to Condition 15 would therefore require publication and notification to OFTEL only on the day on which the tariff becomes effective i.e. when services are supplied under it.

4. Conditions requiring updating.

Condition 12 - Connection of systems providing con k is proposed to amend this condition, which provides for the Director to review interconnection agreements. At present this condition gives the Director a role in determining interconnection issues not agreed between the two parties ction agreement has been signed. The licence does not however empower the Director to describing any issues which are subject to disagreement after the agreement has been signed and which arise on review unless the Director has determined the review dause of the interconnect. agreement prior to its signing. The proposed licence modification is very similar to that already made so BT's licence, and tracks the change which OFTEL intends so reaks so all other similar PTO licences.

Condition 47 - Associates, Since the gram of Mercury's Scence, this condition, which is standard to most licences has been revised to strengthen the Director's power to deal with amempts to avoid a former's obligations under its formce by Boyld quantily supplies, weapper of the conbounts Roofs to Apicy the gousses per

### **BUSINESSES FOR SALE**

Claire Broughton 0171 873 3234

Fax 0171 873 3064

**Lesley Sumner 0171 873 3308** 

#### PowerStore (Trading) Limited Homepower Stores Limited (In Administration)

The Joint Administrators offer for sale the business and assets of PowerStore (Trading) Limited and Homepower Stores Limited, which principally comprise:

■ Major electrical retailers specialising in brown goods, white goods and computers, trading as Homepower and PowerStore.

Budgeted annual turnover of c£100m.

■ 85 leasehold stores, in Yorkshire, West Midlands, East Midlands, London and the South Fast.

■ The stores consist of 31 superstores in excellent locations, together with 54 prime high street

For further information please contact: Simon Aliport or Davena Dyball Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD. Tel: 0121 233 2101. Fax: 0121 643 7647.



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Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

### COSENS & COMPANY

(In Administrative Receivership)

General Engineers/Heavy metal fabricators

 Leasehold factory at Portland, Dorset Grit Blasting/painting facilities

 MOD contractors – ISO 9001 Enquiries to the Joint Administrative Receiver: David Bienkam

Tel: 01703 330077. Fax: 01703 236252. Price Waterhouse



**BUSINESS FOR SALE** ADVERTISING ALSO APPEARS ELSEWHERE IN THE PAPER

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5 South Coast/Isle of Wight 5

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Joint Administrative Receivers Peter Hall and Duncan Swift, Grant Thornton, 31 Carlton Crescent, Southampton SO1 2EW. Tel: 01703 221231 Fax: 01703 330443.

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Write to Box B4453, Financial Times, One Southwark Bridge, London SE1 9HL **CONTRACTS & TENDERS** 

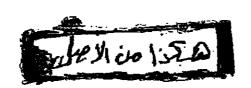
#### Telecommunications Council of HR Herceg-Bosna invites for TENDER

on giving concessions for public telecommunications services in mobile network according to the European GSM standard. Interested tendering party should gather all necessary data for

soliciting for Tenders. Requests for the data should be sent by mail or telefax and the Tender should be submitted by 31.05.1996.

The contact address is: Ministry of Traffic and Communications HR H-B Fra Franje Miličevića 43 88 000 MOSTAR

Bosnia and Herzegovina tel.: +387 88 31 00 53 fax: +387 88 31 00 54



FINANCIAL TIMES FRIDAY MAY 3 1996





GSM is the world's first standard in digital mobile communications. It stands for Global System for Mobile Communications – and Deutsche Telekom played a big part in its development. Along with ISDN and Asynchronous Transfer Mode (ATM), it's just one of the foundation stones we are laying for the worldwide information infrastructure of the future.

We developed GSM with our partners in Europe – and it represents a major step in the quest for genuinely worldwide mobile communications. Promising guaranteed quality, global coverage and greater reliability of transmission, it's a considerable contribution to improved international understanding.

#### Developed in Europe. Designed for the world.

It has taken just five years for GSM to establish itself as the world-wide benchmark for digital mobile communications. In over 80 countries, across four continents, people depend on GSM networks – and the market is growing all the time. With our European partners, Deutsche Telekom has also opened the way for unlimited mobile communications between Europe and North America for the very first time, translating European-based GSM technology into a new global telecommunications language.

Our pioneering work does not stop there. While others make plans for the Information Superhighway, we're making it happen. We operate the most closely-woven fibre-optics network in the world – 100,000 kilometres of it. Our cable network is the largest in the world, and our ISDN network the most extensively developed. We were also the first company to use ATM: a new and much more sophisticated information transmission system.

#### Are we talking your language?

Deutsche Telekom is the No. 1 communications company in Europe and the second largest network operator worldwide. In the race to develop telecommunications technology, few others can keep up with us. We offer multimedia and online services, "smart" networks and a wealth of experience and know-how – all backed by strong business partnerships which span the globe.

If your company could benefit from what ours has to offer, let's talk.

Our connections move the world.



# Angola's peace now hangs on who gets the diamonds

Michela Wrong on negotiations over Africa's shining fields

hen President Jose Eduardo dos Santos and Unita leader Jonas Savimbi met in Gabon in March to kickstart Angola's stalled peace process they spent an unprecedented length of time together behind closed

No one is sure what was discussed. But most analysts in Luanda are convinced their the issue that could still torpedo 17 months of diplomacy -the question of who wins control of the spoils of war: Angola's diamond

As negotiations are translated into changes on the ground, with Units quartering ts fighters and the army pulling back, attention is focusing on two provinces so far untouched by the peace pro-cess - the lawless Lunda Sul and Lunda Norte, Angola's diamond-rich "Wild Rast".

The Lundas' most higrative mining areas have been in Unita hands since the guerrilla movement rejected the election results of 1992 and relaunched the civil war. Source of some of the world's best quality gems, these alluvial deposits provided the funds Unita once received from western backers.

The government, whose dia-

risks alienating Mr Savimbi as he teeters on the edge of accepting a vice-presidency and completing his transition from warlord to opposition

leader.

"There must be a deal done on diamonds," says Mr Johan Van der Stricht, exploration manager for Brazilian mining services company Odebrecht. The commercial interests at stake are so great, unless a consensus is reached the whole peace process risks going down the drain."

The Lundas acquired their reputation as an African Klondike, a region where fortunes were made and lives lost with equal speed, in the early 1990s when a law allowing private individuals to own and sell diamonds was passed.
Thousands of garimpeiros

amateur diggers - rushed to explore the riverbeds, becoming pawns in fierce battles for turf waged by the middlemen: army generals, South African mercenaries, West African traders, exiled Zairean gendarmes, riot police, mining companies and Unita fighters. "It's the Wild West up there,

it's Dodge city, it's Chicago, it's gangsterland," says a mining manager with a shake of the

areas back. But claiming them ambushes and kidnappings risks alienating Mr Savimbi as that are a regular feature of life in the Lundas.

The government, which estimates that the \$5m or \$6m a month of officially declared production is less than a tenth of total national output, has passed new laws aimed at "stabilising" the area. They carve the region up into concessions granted to small mining operations that will, in theory, pay tax and market

Deciding who will control the spoils of war could torpedo the peace

diamonds through Endiama, the state body. The process of clearing garimpeiros off the land has already begun, with often bloody results.

But Unita, facing an uncertain future as an opposition party, is equally determined to retain control of a key resource. Luanda's offer that Unita run the ministry of mines in a new national unity

Arguing that the government has never considered negotiating control of its own source of revenue - the offshore oil industry - Mr Isaias Samakuva, head of Unita's delegation in Luanda, says he sees no reason why Unita's stake in the Lundas should not be legitimised.

"Political parties cannot own concessions but private companies can. We are taking provisions so we can do that. It is our right as Angolans."

Despite denials from both sides, that process, according to diplomats, has already begun. Two Unita-controlled diamond companies - one for marketing, one for mining have already been registered in Luanda and talks are under way to establish which concessions the companies will con-

Details are unclear, but whatever deal is being prepared is bound to focus on the Cuango river in Lunda Norte. jewel in the crown of Angola's diamond industry, where 90 per cent of the stones found are of gem quality.

Experts estimate the basin near Luzamba, 30 miles from the government-held town of Cafunfo, produces half of Angola's diamonds and is prob-

roads, hospitals and schools and prepared the site for exploitation.

Angola's diamond fields

Industry sources say the goverrment seems determined to normalise things in the Cuango and the likelihood is that De Beers, which used to run the mines for the government but pulled out as security deteriorated, will be invited to join a consortium embracing Endiama, Odebrecht and

Any doubts the South Afri-can company would entertain about working with former guerrillas would be offset by the awareness that it risks being marginalised in Angola. Since withdrawing, De Beers has, with the exception of a recent prospecting agreement, been confined to hoovering up Angolan diamonds surfacing in Kinshasa, Antwerp and Israel in a bid to maintain world

Such a deal would almost certainly win the backing of the foreign governments pushing peace negotiations.

ANGOLA "The international community

has promised Savimbi he will have the resources to make his case ahead of the next elections and that Unita will not allowed to wither away like so many African opposition parties. We regard these issues as

The question is whether the government can control its own men on the ground.

Many of the new concessions granted have gone to top officials, army generals and their family members. Little more than high-ranking garimpeiros themselves, they pay no tax, do not market their diamonds through Endiama as required by law and have little interest in seeing the "stabilisation" programme through.

"Outside the Cuango area I'm not sure the government has the will or the capacity to sort out the diamond mining," says a diamond dealer. "I suspect the situation in the rest of the Lundas will remain confused for quite some time. When the military activities stop the economic warfare will

INTERNATIONAL NEWS DIGEST

## Nigeria purges more officers

Nigeria's military rulers have retired dozens of air force and navy officers, two weeks after scores of army officers were swept out, military officials said yesterday. "I have heard of the retirements but I do not yet have any official report. defence spokesman Brigadier-General Fred Chijuka said. Local newspapers named senior naval officers, including commerce minister Rear Admiral Isaac Areola, flag officer of the western naval command Rear Admiral Rufus Eyitayo and chief of fleet support Rear Admiral Oladele Dada among those

The newspapers said 10 group captains, six wing commanders and 10 squadron leaders, among many others, were retired from the air force.

In mid-April 16 army generals and scores of other officers were retired in what an army spokesmen later termed a "routine exercise". Western diplomats said the purge in the military would consolidate the position of General Sani Abacha as Nigeria's ruler and neutralise any hint of a challenge to his authority.

#### Iran 'building missile tunnels'

Iran is apparently building tunnels along its south-west coast that could be used to launch or store long-range missiles, the Pentagon said yesterday. US defence department officials confirmed a report in Jane's Defence Weekly magazine quoting General Binford Peay, chief of the US Central Command, as saying the US was concerned about the tunnel and was watching it closely.

Gen Peay said Iran had recently attempted to buy a number of No-Dong ballistic missiles from North Korea but the deal fell through two months ago for financial reasons. Such missiles could give Iran the ability to launch a strike at Israel,

according to defence analysts. Taken by itself the tunnelling was not significant, US defence officials said, but when added to other new Iranian capabilities such as Soviet-made submarines and Chinese built anti-ship missiles the step became more

#### Egypt plays down Turkey rift

Mr Amr Moussa, Egypt's foreign minister, in Ankara yesterday for talks with Turkish officials, played down Arab concerns over a military co-operation agreement signed between Turkey and Israel in February. He said he was satisfied with Turkish assurances that the

accord was not a threat to Middle East peace. The deal has caused an outcry in many Arab states, especially Syria and Egypt, which have portrayed it as a threat to the region's military balance.

Although full details of the agreement have not been made public, one of its provisions allows the Israeli air force to conduct training exercises in Turkish airspac

Mr Moussa's visit comes two days after Israel and the US mnounced a deepening of strategic military ties. A diplomat in Cairo said the new military agreements with Israel were making the Arabs "feel nervous and insecure". The pact has especially worsened relations between Turkey

and Syria who are already at loggerheads over accusations by Ankara that Damascus offers refuge to Kurdish rebels fighting for an independent state in southern Turkey.

Syria is also concerned about Turkey's extensive dam building programme, which it says threatens its future water James Whittington, Cairo

#### "Unita needs resources to head. UN troops, monitoring government has little value, make the transition from guermond revenues collapsed as ably earning Unita \$300mceasefire violations elsewhere, \$350m a year. Units occupied it after Odebrecht had built take over, and the fighting over spoils will be lively." gems were smuggled across the the rebels know, if they have rilla movement to political turn a blind eve to the lost their hold on the ground. party," says one ambassador. South Africa faces deadlock over constitution

By Roger Matthews in

The danger of a deadlock in agreeing a new South African constitution grew yesterday after political parties failed to resolve differences during

another all-night session. Mr Carl Neihaus, a spokesman for the ruling African National Congress, said the sit-uation was "very serious". "We have passed many of the deadlines we set ourselves. We are heading for serious problems. The possibility of a referendum is looming very large on the

Mr Cyril Ramaphosa, the chairman of the constitutional assembly and secretary-general of the ANC, warned negotiators they had entered "the danger zone". If the parties were unable to achieve a consensus they could be heading for a route "which spells disaster for this country," he said.

The constitutional committee had hoped to complete a draft text today. This would be debated next week by the full constitutional assembly, formed by the national assembly and the senate, in time to

line. If all efforts at reaching a compromise fail, then the issues would eventually have to be put to a costly and time-consuming national refer-

This would be likely to raise further questions about South Africa's political and economic stability when the currency is already under pressure on international markets.

The rand, which has fallen by 18 per cent against the dollar since mid-February, closed R0.04 lower in Johannesburg yesterday at R4.37.

Three critical constitutional issues are blocking progress. The first involves the right of employers to lock out striking workers. The unions, supported by the ANC, want all ferences to lock-outs dropped from the constitution.

However, the National Party, headed by deputy president FW de Klerk, and the small Democratic Party, insist the clause must remain in order to balance workers' right to

The wording of the clauses on property rights is proving less difficult. Disagreement

centres on whether the state should "guarantee" or "respect" property rights, and the extent to which this is affected by land reform legislation which seeks to redress land seizures during the apartheid years.

The parties are also sharply divided over whether the constitution should permit singlelanguage schools, a right demanded by those whose first language is Afrikaans and who believe the clause is vital to retaining their cultural iden-

The prospects of reaching a

President Nelson Mandela announced yesterday a special cabinet meeting on Monday to decide whether it is possible to

national consensus over the

constitution were reduced last year when the mainly-Zulu

Inkatha Freedom Party, headed by Chief Mangosuthu

Buthelezi, walked out of the

constitutional assembly. It has

refused all appeals to

go ahead with the already postponed local elections in Kwa-Zulu Natal at the end of this month. Party leaders have been invited to attend.



HUNGARIAN PRIVATISATION

#### INVITATION TO BID

1. The Hungarian Privatisation and State Holding Company (hereinafter: Caller or ÅPV RL) invites a one-round open tender for the purchase of the state-owned shares of Budavidéki Kentész Rt. (Budavidéki Honicultural Ltd., hereinafter: Company), Törökbálint, Dulácska Tanya (Trade register: 13-10-040214/09).

Registered capital of the Company: HUF 717,340,000 Equity of the Company: HUF 1,081,061,000

Ownership structure: APV Rt. 100%

a.) Bids may be submitted for the stock of 90% of registered shares with par value of HUF 645,606,000 representing equal membership rights, indicating the bidding

b.) In line with the law, following the closing of the tender, a block of shares with par value of HUF 71,734,000 representing 10% of the registered capital will be offered for sale by APV Rt. to the employees of the Company at a price rate of 50% of the accepted bid. The employees will have 60 days from the announcement of the offer to take this opportunity of purchase.

2. Bids shall be submitted to the address indicated below in a closed unmarked envelope in five copies in Hungarian. Poreign bidders may submit their bids also in English or German, but even in this case the Hungarian version shall rule.

Bids shall be submitted personally or by a proxy in the presence of a notary public until the stipulated deadline. PÁLYÁZAT" Budavidéki Kenész Rt."

must be written on the envelope.

3. Bidders shall mark the original copy of their bid with the inscription "EREDETT". If the bidder falls to do this, the Caller will choose one from the copies submitted which further on will function as the original. Should there be any discrepancies in the copies the contents of the copy so marked shall rule.

4. Deadline for submission: (60 days from publication, Wednesday) July 03, 1996, between 12.00 and 14.00 hours

Place of submission: the official premises of APV RL

H-1133 Budapest,

Ujpesti rakpart 31-33., 8th floor, room 807

5. Financial conditions, terms and scheduling of payment:

Minimum 70% of the purchase price shall be paid in cash. The remaining sum can be paid in cash or in the following wav: For a maximum of 30% of the purchase price the bidder may bid in compensation coupons.

For the purchase of the shares, foreign bidders may exclusively use compensation coupons acquired on their own rights. On payment of the purchase price, the Caller will count in the compensation coupons at a price rate of 174,2%.

Foreign bidders can only bid in a currency accepted as convertible by MNB (National Bank of Hungary). Such a bid will be taken into account by the Caller at the purchase rate officially published by MNB at the time of the deadline for submitting the bids. Further conditions and requirements are included in the detailed tender invitation.

6. Bidders shall undertake to maintain their bid for 90 days from the deadline of submission.

7. For the operation of the company the Caller shall guarantee the leasing of anable land of at least 1,400 hectares.

8. To prove their intention to purchase bidders shall deposit HUF 35,000,000 as retention money to the account opened for this purpose by APV Rt. with MKB (Hungarian Foreign Trade Bank). The caller shall dispose of this sum in line with the rules concerning retention money.

9. Pollowing the evaluation the final decision will be taken by the Caller. The Caller reserves the right to deciare the tender unsuccessful.

10. The detailed tender documents and the detailed information memorandum prepared by the Company including the major economic data constitute an integral part of this tender invitation. The submission of the bids is subject to the purchase of the detailed tender documents including the detailed tender invitation for HUF 20,000 against the presentation of a declaration of secrecy at H-1133 Budapest, Uppesti rakpart 31-33.

11. Following the announcement of the tender invitation information on the tender, the major data and characteristics of the Company can be obtained from:

Portfolio manager Péter Fogarasi H-1133 Budapest, Újpesti rakpart 31-33., room 548 telephone: (36-1) 269-8600 / 1066

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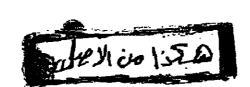
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DAY SING

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Mr Simpson has tied the Senate up in procedural parlia-ate up in procedural parlia-

not raise US entry curbs

mentary knots for a week

unsuccessfully trying to

He did win a small victory

and a more comprehensive

database to be compiled by the

immigration and naturalisa-

But it was so vehemently

opposed by several conserva-

tives that its fate in the confer

ence committee may yet be

They argued that it consti-

tuted another "big govern-

and was the first step on the

slippery path to a national

identity card system.
In general, the immigration

debate has cut sharply across

party lines. For example, Sena-

tor Edward Kennedy of Massa-

chusetts, the leading liberal

Democrat, joined Senator

Simpson, a staunch conserva-

tive, in arguing in favour of

employee verification.

ment" burden on busine

tion service.

uncertain.

By Jurek Martin in Washington

Congress now appears unlikely to impose new restrictions on the legal rights and numbers of asylum-seekers and refugees trying to enter the US.

On Wednesday night the Senate, by the narrowest of 51-49 margins, even voted effectively to repeal a controversial provision in the counter-terrorism act, signed into law by President Bill Clinton only last

This would have given immigration officers at a port of entry the authority summarily to deport anyone seeking asy-lum on the grounds of well founded fear of persecution at home if they felt the claim was

The Senate decision reinstates the right of appeal to special immigration courts.

The vote came as part of the immensely complicated and intensely fought immigration bill, on which the Senate was expected to complete action within the next 24 hours. Its version will then have to be reconciled by a conference committee with that already passed by the House.

The House bill does contain the summary deportation

However, both bills have been stripped of provisions imposing new low quotas on the annual number of refugees admitted to the US (about 110,000 last year), as well as cuts in the overall level of legal skilled immigration, which is currently pegged at 130,000 a

These were substantial defeats for Senator Alan Simpson of Wyoming and Congressman Lamar Smith of Texas, sponsors of the respective

### Congress may bank accused

Argentina's central bank is coming under increasing scru-tiny over its conduct in the collapse of Banco Integrado Departamental (BID), the biggest casualty of last year's banking crisis, writes David Pilling in Buenos Aires.

on Wednesday when the Sen-ate agreed to include in its bill, Mr Roberto Cataldi, former as had the House, creation of general manager of BID, "employee verification" which was last week declared bankrupt, has accused central pilot project aimed at illegal immigrants. However, the Senbank officials of "pressuring" ate rejected another proposal the bank into taking over establishing a federal office weaker institutions before susable to impose sanctions on companies found evading the pending it last April.

Mr Roque Fernández, central bank president, was on The pilot project would Wednesday asked by President require selected companies to ascertain the legal landed sta-tus of any potential staff, using Carlos Menem to make a public statement defending his institution's conduct in BID's the records of the social securapid expansion, suspension rity system, including new and ultimate collapse. standardised birth certificates,

BID was suspended in April 1995 after it stopped returning deposits during a run on Argentina's financial system that saw \$8bn flee the country in the aftermath of Mexico's December 1994 devaluation. The bank, with more than 130 branches mainly in the agricultural province of Santa Fe, was left owing \$400m to 140,000 depositors.

Questions have been raised over why the central bank lent BID \$170m in rediscount operations only weeks before it was suspended. Part of the money was used to take over Banco Aciso and Banco de la Ribera, weak institutions which Mr Cataldi says pushed BID over the edge. Mr Cataldi's accusations are being probed by a federal judge.

The central bank said its controversy has attached to the proposed crack-down on illegal immigration. board had "never pressed the former Banco Integrado Departamental into absorbing The Senate bill, like the House's, would double the other entities...the financial assistance awarded to BID and number of guards on the border with Mexico, deny welfare entities it absorbed was carried out under the same terms and other social benefits to illeand conditions as used with gal immigrants and increase several other financial institu-

### Argentine Taxing time for Canada's consumers central Many Liberals wish they had not promised to scrap the GST, reports Bernard Simon Many Liberals wish they had not promised to scrap the GST, reports Bernard Simon The tax spread for consumers

1991, disgruntled consumers had christened the new value-added levy the Gouge

and Screw Tax.
So it came as no surprise that the Liberal party, then in opposition, saw the GST as a golden opportunity to score political points when the next general election rolled around two years later.

The Liberals ambitiously pledged to replace the GST with a new system that "generates equivalent revenues, is fairer to consumers, minimises disruption to small business and promotes federal-provincial fiscal co-operation and har-

The Liberals won the election, but many now wish they had done so without promising

to tinker with the GST.
"We made a mistake," Mr Paul Martin, finance minister, said in the House of Commons last week in an implicit acknowledgement that. whether Canadians liked it or

not, the GST was there to stay. Mr Martin's admission damaged the Liberals' credibility, though to what extent has yet to become clear. One backpencher was ejected from the caucus after voting against the budget in protest against his party's broken promise. Ms Sheila Copps, the outspo-

ken deputy prime minister, bowed to public pressure earlier this week to make good on her repeated pledges that she would resign if the GST was She hopes to re-enter politics by contesting the forthcoming

hy-election in her southern Ontario constituency. The curious thing about the GST however, is that the politi-

cal havoc it has wreaked

stands in sharp contrast to the tax's success as an instrument

Cluabec

New Brusswich

inception, the GST was designed to increase Ottawa's dependence on indirect taxation. It replaced a 13.5 per cent manufacturers' sales tax which applied to only about one-third of goods and services, was difficult to administer and favoured imports at the expense of exports.

The GST is added to almost all goods and services, with businesses allowed to claim credits on tax paid on their inputs. A few transactions, including residential rents and most financial services, are

exempt. Others, such as basic groceries, exports and medicines are "zero-rated", which means that vendors need not charge the tax but are allowed to claim input credits.
While consumers still chafe

at having to pay an extra 7 per cent at the cash register, businesses have few complaints. Mr Michael Stark, a tax partner at Price Waterhouse, says that "now that business has adapted to the GST, it views a value-added tax as a better alternative to any other kind of

consumption tax". The government considered more than 20 options in its quest for a GST replacement. They ranged from a turnover tax to an intrusive "personal expenditure tax" based on the difference between an individual's income and savings. Supply-side economists pressed for the complete abolition of the GST, arguing that increased economic activity would generate the necessary revenues through higher income taxes.

Instead, Mr Martin has tried to refine the GST by persuading the ten provinces to blend it with their disparate retail sales taxes. The result would be a near-uniform sales tax of 14 or 15 per cent administered by a single level of govern-

Nine provinces - the exception is oil-rich Alberta - currently impose sales taxes, ranging from 7 per cent in Manitoba and British Columbia, to 12 per cent in New-foundland. Canada is the only industrial country with a federal value-added tax which is not integrated with retail taxes levied by other levels of gov-

Business groups strongly favour harmonising the federal and provincial systems. The provincial taxes apply to a smaller range of goods than the GST and to only a handful of services. They also have the drawback of "cascading", in other words, forcing buyers to pay taxes on taxes.

However, the attempt to har-monise the federal and provincial taxes has run into strong opposition from provincial politicians wary of having anything to do with the hated

Provinces with relatively low rates or a far narrower coverage than the GST, such as Alberta, BC and Ontario, are dead set against a new system that would have the appearance of a tax increase.

Those with higher rates are

worried about a loss of revenue. The provinces are also sensitive to criticism that the value-added GST's system of input credits appears to shift the tax burden from businesses

The root problem is a perceptual one on the part of the public," says Mr Brian Collinson, director of taxation at the Canadian Manufacturers Asso-

onsumers paying the full 15 per cent at the cash register are bound to see input credits as "a windfall for the business community," Mr Collinson says.

Quebec agreed to a modified harmonisation system in 1992. A renewed push by Mr Martin earlier this year has persuaded three high-tax Atlantic provinces - Newfoundland, New Brunswick and Nova Scotia to join the fold from next April. The federal government has

agreed to pay the three provinces almost C\$1bn (US\$734m) over the next four years to compensate for lower revenues. But some other provinces have complained that the deal is so generous that the GST component for Newfound land will amount to only 5.5

In an effort to curb shoppers' ire, the harmonised tax will be different from the GST in one important respect. The tax will be included in the price tag on the store shelf. "It gets rid of the cash register shock that's been a prominent complaint. says one GST expert.

The government is now crossing fingers that the benefits of a single sales tax will slowly but surely become apparent across the country. even if it continues to be dubbed the Gouge and Screw

# Dole backs removal of software export ban

Senator Bob Dole, the Republican presidential candidate, yesterday threw his support behind proposed legislation to remove US export restrictions on computer software used to encode Internet

The new Security and Freedom through Encryption bill, introduced yesterday by several Republican senators and congressmen, also rejects a controversial Clinton administration proposal to enable law enforcement agencies to unlock encoded electronic mes-

For Senator Dole, the encryption bill provides an opportunity to seek support from Sili-con Valley high-tech leaders, many of whom backed Mr Bill Clinton in 1992, and to boost his election campaign efforts in "The administration's mis-

guided proposal on encryption amounts to a pair of cement shoes for Silicon Valley," said Senator Dole. "It seems to me that a new pair of track shoes might be a better answer. The administration's big brother proposal will literally destroy America's computer industry," he said.

Encryption software is currently classified as "munitions" and exports are strictly limited by the US state depart-

computer systems and software that rely on two rather than four-digit codes to designate the year - could cost the US government \$30bn, according to evidence given to a House of Representatives sub-committee, writes Paul Taylor in London.

Mr Kevin Schlik, research director at the Gartner consultancy group, told the House sub-committee on government management, information and technology, that "time is running out" to deal with the problem which, unless fixed, could result in the breakdown of many billing and other computer systems at

the turn of the century. "We estimate 30 per cent of computer applications will not be year 2000-compliant by the end of 1999," says Mr Schlik. "This is not a problem for 2000, this is a problem for today," he added. Gartner has estimated that addressing the problem – which stems from the fact that many computer systems will read the year 2000 as '00' - could cost governments and business about

\$600bn worldwide. Mr Schlik said the US government operations and service most exposed to the problem include the Pentagon, Inland Revenue and the social security system.

intelligence and law enforcement agencies are opposed to the commercial use of the most powerful encryption methods which they argue could be used to mask criminal or terrorist activities by effectively

preventing wire-taps. However, US software companies maintain that the current export restrictions threaten US pre-eminence in the world software market.

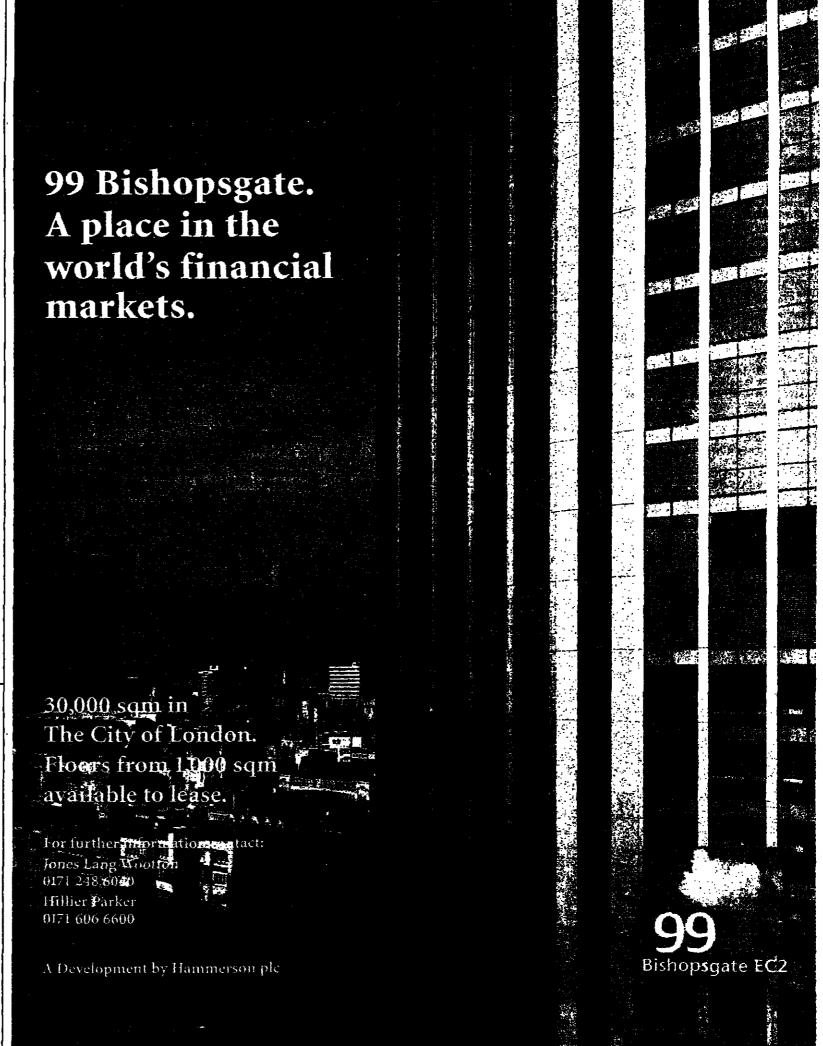
A study by the Computer Systems Policy Project, a computer industry group, esti-mated that within four years the US economy would lose \$60bn in revenues and roughly 216,000 jobs as a result of encryption export controls.

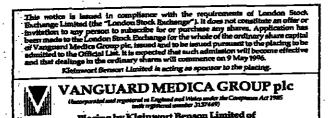
Moreover, current regula-

tions, which allow export only of "weak" encryption, are unacceptable because such encoding has been demonstrated to be ineffective.

Last year, for example, students in France were able to break encryption which is used in the export version of Netscape Communication's popular Internet browser soft-

The limited availability of strong encryption software is also blocking the progress of electronic commerce on the Internet, US computer experts argue, because companies and individuals are reluctant to make electronic payments over the Internet without assurance of security.





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# ADB plays down alternate funding plan

Mr Mitsuo Sato, president of the Asian Development Bank, yesterday played down suggestions that the diversion of net profits from the bank's marketbased activities would make up for shortfalls in rich countries' donations to the bank's softloan window, the Asian Develcoment Fund.

Push for

Thailand

groups to

go public

The new head of Thailand's Securities and Exchange Com-mission wants to make it

easier for "export-oriented and

capital-intensive" companies

to go public, he said yesterday.

reform-minded regulator, Mr Pakorn Malakui Na Ayudhya

said reform and strict regula-tion of Thailand's capital mar-

kets should continue. He was

echoing the agenda of his pre-decessor, Mr Ekamol Kiriwat,

ousted four months ago partly

Finance Minister Mr Surak-

iart Sathirathai will be an

opposition target in next

week's parliamentary no-confi-dence debate, in part because

of the suspicion that he forced

edly being too tough in his

pursuit of stock market manipulators, whose practice of "ramping" (forcing equity prices up) hurt the market's

Mr Pakorn said that with

the current account deficit so

high - it stood at a five-year

peak of 8.1 per cent in 1995 – "we should give added weight to projects beneficial to the

country" rather then merely

Of Thailand's 10 biggest

exporting companies, only one, Alphatec Electronics, is

listed on the Stock Exchange

of Thailand, he pointed out.

Mr Pakorn admitted that a

move by the SEC to favour

exporters, especially those who make high-tech products,

might ~ if approved by the cabinet - not be universally

the tourist industry, he said. Stockbrokers welcomed Mr Pakorn's comments but

pointed out the Thai stock

market had already undergone

marked changes. "The rules

already favour large industrial

concerns: it would be impossi-

ble nowadays to list a single-

Securities, said.

Mr Korn said.

opular. A nightclub company | might claim it contributed to

for his reformist zeal.

Staking out a claim as a

By William Barnes and agencies in Bangkok

bank's annual meeting that siphoning off net income from ordinary lending operations could lead to a downgrading of its credit rating. This could be self-defeating as it would push up the cost of borrowing for

"If we try to transfer too much money from our ordinary resources, the ADF will Mr Sato, appointed yesterday be happy, but our soundness of the year, has urged the to a second five-year term as may go down," Mr Sato said. richer Asian economies such

His comments came just a

day after Mr Jeffrey Shafer, US treasury under-secretary, told ADB delegates the bank should dip into its own reserves to cover falling OECD donations. The US, in arrears of \$337m. to the soft-loan fund, which is expected to run dry by the end

"Our credit ratings may be as South Korea, Talwan and altogether. Singapore, which says it objects to subsidies on to the fund. South Korea and ideological grounds, could be Taiwan gave little indication during the meeting that their contributions of US\$15m to the 1992 replenishment would be significantly stepped up for the next ADF.

Mr Klaus-Jurgen Hedrich, chairman of the ADB board, yesterday attacked Singapore for apparently refusing to donate to the soft-loan window

excluded from ADF procurement contracts if it failed to contribute to the next replenishment, Mr Hedrich said. The island state had netted

more than US\$130m in ADF contracts since it was created,

Mr Sato, who will chair the next donors' meeting in June, said failure to clear donor year could force the ADB to adopt a formula struck last year by the World Bank's soft loan arm, the international Development Association.

The IDA set up a one-year interim or "bridge financing" fund during which the US was excluded from soft-loan procurement contracts while it cleared its arrears to the previ-

Editorial Comment, Page 13

#### The Japanese government will next week seek from leading banks an increase in their contribution to liquidating the country's bankrupt housing loan companies.

ASIA-PACIFIC NEWS DIGEST

The announcement follows the government's attempt to quell public anger and break a parliamentary deadlock by agreeing last month to freeze temporarily Y685bn (\$6.5bn) in public spending controversially earmarked for the seven jusen housing lenders.

Home loan call

to Japan banks

The finance ministry is now looking to pass the costs of the liquidation on to the banks, the original founders of the housing loan companies. "The banks that founded the jusen companies currently have enough profits to consider additional burdens," Mr Wataru Rubo, finance minister, said

Mr Kubo said the ministry would start negotiations with the banks on the details once the budget for the current fiscal year nassed the upper house.

#### Australia trade deficit falls

deficit fell to a seasonally adjusted A\$1.51bn (US\$1.2bn) Current account balance; ASbn. in March, its lowest level for almost two years. The figure was marginally higher than private-sector economists had been predicting but significantly less than the record A\$3bn figure which raised concern last May. Since then, the monthly

current account deficits have steadily reduced, helped by the slowing economy - which reduces demand for imports and an improvement in some agricultural and mineral exports. In March.

merchandise imports fell by A\$428m or 6.4 per cent. Exports

#### Telstra sale details announced

Australia's coalition federal government yesterday introduced legislation into parliament to permit the sale of one-third of Telstra, the government-owned telecommunications group, to

The Telstra bill will restrict aggregate foreign ownership of the group to 11.6 per cent, or 35 per cent of privatised equity. It will also restrict individual foreign ownership to 1.6 per cent. The bill will stipulate that Telstra's head office and operating base remain in Australia and that its chairman and a majority of directors are Australian citizens

#### S Korea trade deficit soars

South Korea announced a sharply higher trade deficit yesterday of \$2.01bn in April, after a better than expected deficit in March of \$362m

The deficit for the first four months of the year of \$5.85bn compares with a forecast deficit for the full year of

The figures alarmed the markets, "Exports growth in April slowed faster than anyone expected," said Mr Lee Jong-won, an economist at LG Economic Research Institute. "Exports have been the engine behind our economy. Unless monthly exports maintain at least a 10 per cent growth, an economic soft landing looks difficult to achieve.'

# India's poor have high hopes for change

'Booth capturing' cannot damp rural enthusiasm for democracy, writes Mark Nicholson

t the Sultannur polling station yesterday in A t the Sultangur pound station yesterday in rural Bihar - India's poorest, most violent and electorally fraudulent state - no voters could be seen. Inside, male voters who assem-bled only after journalists arrived, cast their ballots. But no official took their thumb prints as the law requires. And behind the official's desk sat a ballot box, the lid wide open. "There's trouble here, the booth's been captured by the Samata Party," a Janata Dal Party worker whispered to

A few kilometres down the road, the scene was similar, except that the Koranpur voting station appeared to have been "captured" by Janata Dal. "Booth capturing" is almost a Bihari sport. The state's chief election officer said yesterday's poll, the state's first voting day In India's staggered general election, was "better than most" and only 20-30 instances

of booth capturing had been reported from the 82,000 stations where polling was held. But neither Sultanpur nor Koranpur would have been reported as "captured" nor thousands of others. Bihari "capturing" is too well organ-

Such cynical rigging ought to be enough to extinguish whatever democratic spirit Biharis have left. But a little further down the same road, at Durmi, came proof otherwise. Dozens of women, all dressed in their finest saris, made their way to vote. The difference?

Heavily armed police sur-

rounded the polling station.

Locals felt safe, and queued up Bihar is an extreme example of electoral malpractice in India. Elsewhere, donning one's finery to vote is more the rule than the exception. Election days are special occasions. and the world's biggest democracy, 590m, proves it consis-tently by turning out in proportions which shame western democracies. Turnout has risen virtually consistently since India's first post-independent poll in 1952, when 40 per cent of voters cast their ballot. Turnout was 60 per cent in the last election in 1991. This year it is likely to be 50-55 per cent. Turnout this year may be slightly lower - perhaps because the campaign, tightly policied by a more assertive

duller. But surveys show Indians are keener than ever on democracy. A national elec-tion survey, last held 25 years ago, recently found that 68 per cent believe India cannot be better governed than by "parties, assemblies or elections". In 1971 the proportion was just

This despite a year of politi-cal scandals that culminated in India's biggest political bribes affair, in which 25 top politicians face trial on corruption charges. The Indian politician's image has seldom been worse. Neither might the poor mass of Indians, 40 per cent of whom still fall below the poverty line, feel particularly well led. This could also explain why so many Indians vote.

"Those who are angry use their vote to express their anger," says Mr V P Singh, Janata Dal prime minister from 1989 to 1990.

"Indian voters also realise the value of their vote - they can form governments and



throw them out." Indeed India's electorate threw out Mrs Indira Gandhi in 1977 in a rebuff for her imposition of a state of emergen In 1989 they turfed out Mr Rajiv Gandhi, Indira's son, for his alleged corrupt involvement in an armaments deal.

This year, India's voters look set to issue no such decisive outcome. Yet Mr Singh, and other analysts, believe voters are becoming even more convinced of the value of their vote. They see India in the midst of a political transformation, one which is gradually eroding the power of the traditionally powerful, higher caste elites, in favour of the poorer and lower castes.

The chief political victim is the Congress party. Its support is increasingly being leached

away by regionally based leaders championing the poor. The emergence of these parties as national players, argues Mr Singh, adds to the power of the previously powerless.
"There is no cynicism about elections among the poor and lower castes," he says. "For

them, every election means a

And, for all its electoral flaws, there are few better illustrations of this than Bihar. Even without the "booth capturing", it is likely the state's poor voters would have returned a near sweep of Jan-ata Dal MPs, as it did in 1991. The party's leader and Bihar's chief minister, Mr Laloo Prasad Yadav, has forged an "anti-upper class" alliance of the middle and

labourers, people who have energy but no land," he says. "They have become victims of the machinery of democracy. But people are its owners, this machinery should be the servants of the people."

potent mix of populist charisma. The self-made former

goat herd delights in shocking

the cocktail parties by flourish-

"My priority is the people who are illiterate, Dalits,

ing "peasant" mannerisms.

And his message has taken root in Bihar's villages, even if some of them are deprived their vote, or complain the state government has not improved their lives. "Lalco is trying," says Mr Bishesh Kumar, a low caste villager near Hajipur. "If he gets the chance of power in the centre, lower order castes with a he will change our lives."

# Chinese enterprises sent to market

Tony Walker visits a steel works designated a model from which all should learn

r Liu Han Zhang, the tough talking factory LV L chief of the Handan Iron and Steel Works, does not mince words.

"Here," he says, gesturing asset hotel company, which towards blast furnaces and grimy production lines, "we used to happen before," Mr Korn Chatikavanij, president implement the policy of each of Jardine Fleming Thanakom according to his contribution not each according to his needs. From 1958 to 1990 the "If the SEC wants to create a market that truly reflects the only 'ism' we adopted was egalitarianism. Now we've got rid of egalitarianism along with the iron rice bowl. They don't tisation seriously: electricity, water, railway, telecoms and

the airline (currently a partial work. flotation) should all be listed," Mr Liu's words would probably have been regarded as her-Mr Pakorn said he wanted to esy at Handan as recently as deregulate the securities 1990, but in that year the lossmaking company introduced industry by offering licences accounting standards which to securities companies to operate in all four areas of the valued the real cost of producing a ton of steel and set prounderwriting and investment duction targets based on marbanking. Many of the existing ket drices.

Previously, less attention 84 companies do not have had been paid to production underwriting or investment costs than to meeting state ince, are among the

quotas. The workers' bonus communist system's fallen system reflected this with angels. employees paid extra whatever their contribution, hence reference to an unbreakable "iron rice bowl".

Now, according to Mr Liu, workers are rewarded according to their ability to achieve targets and contain costs. A system has been put in place to measure contributions of those involved at every stage of pro-

That, at least, is Mr Liu's story and one China's State Council, or cabinet, seems anxious to propagate. For, Handan Iron and Steel, located in southern Hebei province about 300km south of Beijing, has been designated a model state enterprise worthy of emula-

Model enterprises in China have a far from unblemished record, however, and several such as Dazhai, the agricultural commune in Shanxi provDazhai's production figures

during the time it became a shrine of the Cultural Revolution (1966-1976) were wildly exaggerated and large dollops of state money were provided to prop up a dirt-poor rural community. Dazhai's propaganda value did not have a

But Mr Liu, who has been at Handan since it was established in 1958, is confident his formula can be made to work in other ailing state enterprises. He notes the Handan model has belped turn around the fortunes of the giant Anshan steel works in Liaoning province, and a smaller steel works in far-west Xin-

jiang region. He is much in demand as a lecturer to representatives of loss-making state enterprises who are brought to Handan in increasing numbers to learn how it is done. About half China's 14,000 medium-sized and large state enterprises are in the red. Chinese newspapers have begun extolling Handan's

"To learn from Handan

virtues.

means how to learn to face the market and transform our minds, instead of relying on state support and a better mar-ket situation," said the Liberation Daily in an editorial. "To change the traditional planned economic mindset means one has to 'destroy the wall and get down to the sea' - pushing both the enterprise and the

employees to the market." Mr Liu's methods, which he says "cannot be learned from any textbook", appear to be a variation of the "management responsibility" system introduced in China in the 1980s in an attempt to make managers more accountable for the suc-

cess of their enterprises. On the face of it, Handan's results are impressive. In 1990, the first year of the new sys-

tem, net profit was Ynlm (\$120,000). In 1994 profits reached Yn780m before falling back to Yn709m last year as a result of lower steel prices and

a nationwide credit squeeze. In the five years to 1995 the company's net assets have grown to Yn4.6bn compared with Yn580m in 1990 and unlike many state enterprises across China it is not heavily burdened with bad debts. "Our policy is that we won't

transport product until a contract is signed or until we have received the money," says Mr Liu. Chinese enterprises owed each other Yn900bn last year. Since 1990 Handan has doubled production to 2.15m tonnes and now ranks 11th among steel producers under the ministry of metallurgical industry. With only 2.2 per cent of national production, it

Mr Liu, unlike many state enterprise bosses, is not among the highest paid.

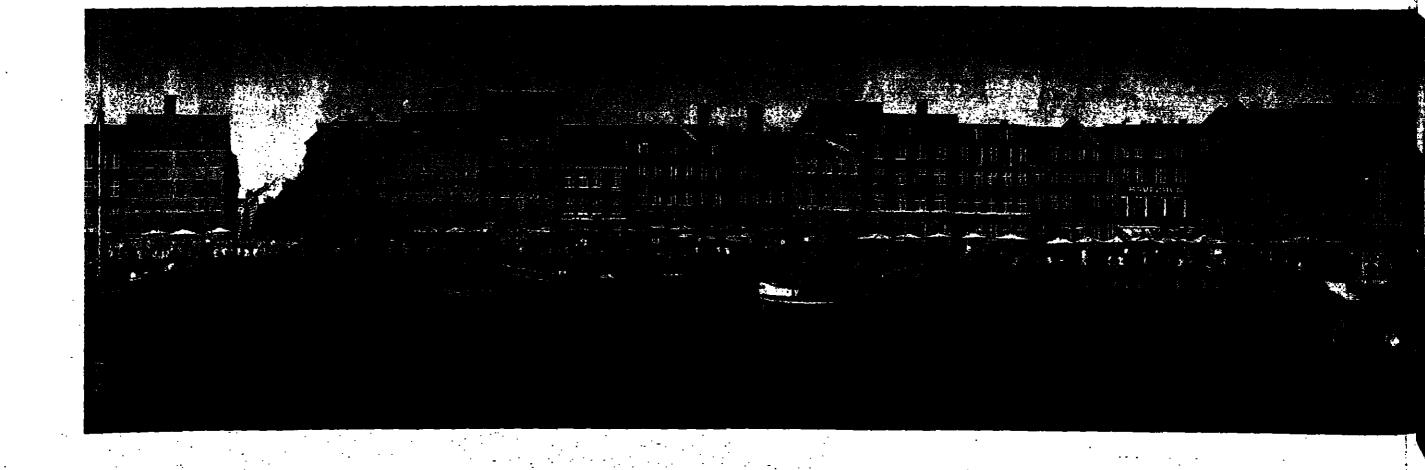
accounts for 8 per cent of prof-

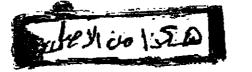


talking about "downsizing" his enterprise, which carries the heavy burden of 28,000 employees. Some 10,000 are in steelmaking and the rest are engaged in ancillary services, including schools and hospitals. "We can't just tell people to go. They have to have rice

to eat," he says. According to his figures, bonuses, which account for about half a worker's pay, offer real incentives, with those actually involved in production Annual wages, including bonuses, range between Yn4,500 and Yn40,000.

Mr Liu believes his methods of rigid cost controls and incentives can be made to save other enterprises, although he concedes some are hopeless cases and should be made bankrupt. "State-owned enterprises under a socialist market economy can achieve very good results," he says. "That is why the State Council issued an official decree to learn from

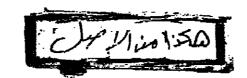




Mergers watchdog

quits over decision

on electricity bids



#### **NEWS:** UK

# Police boost fight against 'dirty money'

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The City of London police force has created a unit to fight money laundering amid renewed fears that interna-tional criminal organisations are exploiting loopholes in the UK banking system to channel

The Financial Investigation Unit (FIU) is to focus on cases of substantial and sophisticated money laundering, some of which have been identified in the past 15 months by the Bank of England's existing investiga-

By Robert Rice,

Legal Correspondent

A senior member of the

mission has resigned in protest

over the competition watch-

dog's handling of the electricity generators' bids for two

regional distributors. Mr David

Kinnersley, former chief execu-

tive of North West Water and

an adviser to the government

on water privatisation, said he

was also "very dissatisfied"

with the way the commission

was working and called on

The bids by National Power

and PowerGen for Southern

Electric and Midlands Electric-

ity were blocked last week by

Mr Ian Lang, trade and indus-

mendation by the MMC that

"I'm irritated by the MMC's

they should be allowed to pro-

conclusions on the electricity

mergers," Mr Kinnersley said.

"They found the mergers were

against the public interest but

still said they could go through with some sort of fiddle on the

He said he had written to Mr

Lang congratulating him for

rejecting the MMC's conclusion

nd offering his resignation. He had also written to Mr

Graeme Odgers, the MMC chairman, and to The Econo-

"I wrote to The Economist to

say my resignation was not

important but that I am not

the MMC resigned as well it

regulatory side."

mist magazine.

would be helpful."

try secretary, despite a recom-

other members to follow his

example

tions unit. Two big cases already under investigation by the new unit are thought to involve the use of suspect money in the form of hedge funds linked to trade in commodities.

A senior investigator linked to the new unit said last night: "So far we have just been dip-ping our toes in the water. We think the problem of money laundering is much deeper and we need a unit like this to deal with it." Formation of the unit follows indications that the security service M15 is also taking a more prominent role

Last month government law-yers won an injunction against

The Economist and a journalist

with the magazine, preventing

further publication of informa-

tion from a commission report

on electricity bids. Mr Kinner-

sley said there was general dis-

satisfaction at the way the commission operated. "There are 30 main members of the

commission and they only used

five on the electricity bids and

one of those dissented. So the

conclusions were reached by

four out of 30 members. I won-

As former head of the

National Water Council and

adviser to a senior minister on

water privatisation in the

1980s, Mr Kinnersley said he

was "a reasonably well informed observer". Yet in his

five years as a member of the

commission's seven-strong

water panel he had not been

asked to work on anything, he

Only three water panel mem-

bers had been used so far and

when they were engaged in an

inquiry they went into "pur-dah" and other members were

told nothing. When reports were finally published they

were full of blanks caused by

the DTI removing confidential

through the reasoning, he said.

way things are working. And

der if that's right."

in the fight against money

Under regulations brought in three years ago after the Bank of Credit and Commerce International collapse, City of Lon-don financial institutions are required by law to report any suspect banking transactions to police and regulatory authorities. Creation of the FIU follows growing domestic and international criticism that the new regulations were insufficlent to stop the exploitation of City markets by large criminal organisations.
The FIU hopes to develop

**Business** 

award goes

to queen of

theatreland

Mrs Janet Holmes à Court, the

queen of London's theatre-

land, was yesterday named

Britain's Businesswoman of

the Year for revitalising Stoll

Moss Theatres, of which she is

Stoll Moss runs 10 London

theatres, and was one of the

companies Mrs Holmes à

Court, 52, an Australian, inherited in 1990 on the death

dynamism, enterprise, style.

struggle and charisma" among

women of achievement - said

that Heytesbury Holdings, Mrs

Holmes à Court's Australian-

based holding company, now

"combines both inherited and

acquired parts, and is very

They were particularly

impressed by Mrs Holmes à

much her creation".

of her husband. Robert.

chairman.

By Michael Thompson-Noel

intelligence links in order to identify more clearly significant cases among the hundreds reported annually to a special Bank of England committee drawn from the police, finan-cial regulatory bodies and government departments.

The Bank of England said last night: "We have been aware for some time that money emanating from the former Soviet Union is becoming an increasing laundering. It is something that concerns us." British investigators have

potentially illicit transactions emanating from the former Soviet Union. They include funds controlled by politicians during the Communist regime, the sale of commodities and previous metals, trade in high technology equipment, and

drugs and prostitution.

Few money transfers involve a direct transfer between the former Soviet Union and the UK. One area of concern has been the increasing use of financial offshore centres and 'brass plate" companies to launder money.



Janet Holmes à Court, rewarded for her business acumen Court's £11m worth of investment in Stoll Moss. "In the last five years," said the judges, "Stoll Moss has been transformed into an efficient, people-orientated concern to become the largest, most profitable theatre-owning company in London." Mrs Holmes Court hopes to spend another £8m refurbishing her London theatres over the next

five years. In Australia, where she is a member of the board of the Reserve Bank, Mrs Holmes à Court's Hevtesbury empire includes cattle farms and racehorses, a winery and restaurant, a trucking business, and John Holland, one of Australia's biggest construction and

Asked about her business style Mrs Holmes à Court said: "Teamwork is what matters...In Britain management is too often hierarchical - a product, one supposes, of the British class system."

#### However, the judges of the Veuve Chicquot award - which is said to celebrate "acumen

# engineering groups

### Nadir may return to face trial

By John Mason and Jim Kelly

business information. That The voice of Mr Asil Nadir, the made it very difficult to follow former chairman of Polly Peck, spoke out yesterday to promise "So I'm an artificial device in that he would return to the UK the regulatory process and pretty dissatisfied with the to face trial on fraud charges if the Conservative party lost power at the next general when they appoint you and election.

give you nothing to do. Resign-His surprise announcement, the only member as fed up as ing is one way you can show this at the way they are carryrelayed by telephone from northern Cyprus, was made at the London press launch of a Decision on generators,

to Mr Nadir who was jailed in Britain last week for laundering £395,000 (\$596,500)

stolen from Polly Peck. Mr Nadir was standing in for Mrs Forsyth who was unable to attend the launch "for obvious reasons", the book's publishers explained. Mr Nadir, who has remained

in northern Cyprus since fleeing the UK in May 1993, said he would "certainly" Page 15 Forsyth. She is the former aide Conservative government is him a fair trial.

lecting points for cattle and 44 abattoirs to

slaughter them. Farmers have built up a back-

log of an estimated 250,000 animals which they

are vying to kill first. "We don't want queues of

lorries waiting outside abattoirs for hours, but

every farmer is phoning up to get in first," said Mr Hugh Black, a dairy farmer from western England. "All these animals cost money to feed,

and farmers are now running out of hav and

voted out of office. "This government isn't able to come to terms with truth," he said. "I am hoping a new government with clean hands will not find it so difficult, and less embarrassing, to tackle the matter, properly."

Mr Nadir, who once made substantial donations to Conservative party funds, repeated his long-standing allegations of misconduct by the British legal establishment book written by Mrs Elizabeth and false accounting if the which, he claimed, had denied

and feedback from franchisees,

questionnaires to customers.

Dover Water Services, is nego-tiating to pipe water into France via the Channel Tun-But this has potential political repercussions at a time when its French parent, Compagnie Générale des Eaux, independent researchers to test has joined forces with Saur. public opinion, while Wimpy another big French water said it had been influenced chiefly by calls from customers

company, which owns South East Water in England, to target the nearby Mid-Kent Holdings. Mr Geoff Baldwin, some of whom had issued chief executive of Mid-Kent, The chains stopped using argues that the real aim of the British beef shortly after the "mad cow" crisis broke in takeover plan, which is held up by a legal dispute, was to March and burger sales siphon off water supplies to his slumped. Both McDonald's and two French-owned neighbours. Beneath the more hilarious

Burger King said they looked forward to resuming the purchase of British beef when aspects of water policy is genuine concern that too little it was felt consumer is being done to balance growing demand for water with environmental constraints on the amount of water available. There is also a need to determine the level of service that can be offered by privatised companies covered by restraints on charges.

**UK NEWS DIGEST** Pave your

By Leyla Boulton,

A leaflet issued yesterday by

the Severn Trent Water com-

pany in central England suggested that customers pave their lawns to avoid using

water on them. It was the lat-

est gaffe by a former state

industry notorious for own goals. Last year Yorkshire

Water in northern England was ridiculed for suggesting

that its customers should wash

less often or move to another

The industry has been strug-

gling to repair its image follow-

ing last summer's debacle over

water shortages in much of England. The Gaffes feed into

an increasingly frenetic public

relations war among water

companies in the grips of take-

over fever. Severn Trent is one

of a number of bigger companies, promising superior man-

agement skills and big cost

savings for customers, which

are trying to take over rivals weakened by public outrage

over poor service. Having been dissuaded by

Ofwat, the industry regulator, from targeting Yorkshire

Water, Severn Trent is now

vying with Wessex Water to

The government, which must

vet such mergers, is believed

likely to designate Wessex

Water the approved predator

for South West Water. But yes-

terday's embarassing leaflet

from Severn Trent can only

enhance Wessex Water's posi-

tion in the public relations

Regional rainfall patterns

and geographical conditions

play a large part in determin-

ing which companies suffer

from shortages. But that is not

deterring Wessex Water, with

relatively plentiful supplies,

from exploiting its brethren's

have to impose hosepipe bans

last summer and is unlikely to

do so this year, has promised to pay compensation to any of

its customers in the unlikely

event of one. This in turn has

prompted one South West

Water executive to point out

that "you can promise the

world in compensation as long as you don't have to pay it".

At the other end of the spec-

trum of remarkable ideas, one

of Britain's smallest water

companies, Folkestone and

Wessex Water, which did not

troubles.

take over South West Water.

#### Further action lawns and save water, by US regulators consumers are told

The US legal problems faced by Lloyd's of LOYD'S London worsened yesterday when two more states took action against the insurance mark ket, posing fresh obstacles to its recovery plans. The moves by securities regulators in Utah and Tennessee threatened to stretch further Lloyd's resources at a time when it is seeking to win the agreement of Names in the US and elsewhere for an out-of-court settlement of legal action. Names are individuals whose assets have traditionally supported Lloyd's.

Mr David Rowland, the insurance market's chairman, i expected to write to Names shortly outlining significant improvements in the recovery plan, of which the out-of-cour settlement is part.

In the US, Lloyd's renewed earlier this week a "standstill" agreement with nine states. Mr Peter Lane, north American managing director, said the new moves were "unfortunate" Lloyd's also faces legal action in California which could threaten \$10bn held to support US underwriting. The securities regulators allege that investment in Lloyd's was mis-sold. Mr Lane said proceeding with the recovery plan without US Names, not all of whom are supporting the litigation, would be "unfair" and was not an option.

Ralph Atkins, Insurance Corresponden

#### N Ireland police title challenged

The name of the Royal Ulster Constabulary should be changed to make it more acceptable to the nationalist community in Northern Ireland, a member of the opposition Labour party urged. The call by leftwinger Mr Jeremy Corbyn came in the House of Commons just 24 hours after a British minister responsible for Northern Ireland, Sir John Wheeler, had annoyed nationalists by likening a name change to the dismantling of the United Kingdom.

Sir John, speaking as the government launched a policy paper on police reform in Northern Ireland, had rejected calls to change the RUC's name. He said he was "not in the business of dismantling the UK by the back door". Challenging Sir John on the issue Mr Corbyn stressed there was a great difference in confidence between the way the RUC was viewed by the nationalist community and the loyalist community.

PA News Philip Stephens, Page 12

#### Oil-tanker conversion contract

Harland and Wolff, the Belfast-based ship builder, has won a multi-million pound contract to convert a new oil tanker into a floating production, storage and off-loading vessel for the

North Sea, it was announced yesterday.

The deal with the Dutch-based offshore contractor Bluewa ter Engineering Company, which is believed to be worth £10m (\$15.1m) and could mean about 100 new jobs. The 105,000-tonne Glas Dowr was built in Japan. Conversion work, is expected to be finished by October. PA News

#### Football fan attacks lawyer



The football fan who was the target of a Kung-Fu-style kick by French Leeds United player, Eric Cantona, during a match between Leeds and Crystal Palace was jailed for seven days for contempt of court yesterday after physically attacking a lawyer. The attack came as Crystal Palace fan Mr Matthew Simmons (left) appeared for sentencing on two charges of using threatening words and behaviour during the incident in January. Magistrates had just ruled that he was guilty of two

charges of using threatening words and behaviour when he launched the attack. In addition to a fine, the magistrates also made an order excluding him from all football matches for a period of 12 months. During the hearing the prosecution told the magistrates that Cantona was provoked into launching his infamous kick after Mr Simmons taunted him with foul and abusive language. The double glazing fitter had hurled a stream of abuse at the French star.

#### Plan to lift savings launched

The opposition Labour party intends to launch a new taxadvantaged scheme designed to encourage individuals into medium and long-term savings in a plan which could trans-form the UK savings industry. The scheme, which would offer tax advantages to those opening an Individual Savings Account, is intended to build on products such as Personal Equity Plans which encourage savings for up to five years duration. Mr Alistair Darling MP, Labour's spokesman on City affairs, said that the lack of incentives may be hindering the growth of private savings to cover the costs of illness and old Norma Cohen, Glasgow

#### Charity donations 'unaffected'



Charitable donations last year remained unchanged from 1994, in spite of the advent of the National Lottery, figures released yester-day show. According to findings from the latest Family Expenditure Survey, collected by the Office for National Statistics, average weekly household spending on charitable giv-IN INSTRUMENT IN IN IN INC. IN ottery itself averaged £3.80 (\$5.70) a week in 1995. The data

provided support for the government's contention that the lottery has not harmed charities. Mark Suzman, Social Affairs Correspondent

# Burger chain ends its ban on British beef

Marketing Correspondent

Wimpy, the chain of franchised burger restaurants, has lifted its ban on the use of British beef because it believes consumer confidence is returning. It said posters proclaiming "British Beef is Back" were due to go up today in Wimpy's 272 restaurants.

Mr Max Woolfenden, Wimpy's managing director, said that, as a British company "we are delighted to announce our move back into British beef: we have seen a great improvement in customer con-

Recent government action against BSE and the company's own additional control and safety procedures throughout the whole Big slaughter programme opens amid confusion has licensed 105 auction markets to act as col-

Chaos reigned on the first day of the British government's programme for destroying cattle over the age of 30 months, Deborah Hargreaves writes. "It's a bit of a pig's muddle," said Mr David Lock at Premier Livestock Auctions, which runs cattle markets in three towns in south-west England. "We've received no notification about which days to take animals or how

The government has organised slaughter schemes to try to restore confidence to the beef market. The Intervention Board, a state agency,

silage," said Mr Martin Burtt, a livestock farmer from North Yorkshire. production process had given Wimpy confidence to move back into British beef, said Mr Woolfenden.

There was no sign yesterday of other burger chains, which also switched to imported beef, following Wimpy's lead. McDonald's, with 660 outlets, said customers were still expressing considerable uncertainty about British beef, and a move back to its use "would be premature".

Burger King, owned by Grand Metropolitan, the UK

was continuing "for the time being" to source beef for its nearly 400 restaurants from outside Britain. Its decision was "based on customers voting with their feet," it said. McDonald's and Burger King

confidence had recovered. At the time the ban was announced by the chains, two Conservative MPs, Sir James Spicer and Mr Ian Bruce, accused the companies of damaging the UK farming



Probably the best beer in the world.

The development of a venture capital industry lies behind the economic success of a new breed of high-tech Israeli company, says Richard Gourlay

# Peace potential

srael's conflict on its northern border in the past month has done what conflict in the region always tends to do -

But, untroubled by the recent conflict, one section of the Israeli economy has been developing at breakneck speed and is ready to capitalise on the peace dividend promised by a wide regional truce. After five years in which GDP has

grown by 40 per cent in real terms, Israel is emerging as a creator of high-technology businesses out of all proportion to the size of its population or its domestic market.

Many venture capitalists who were around at the birth of Silicon Valley 15 years ago say Israel has become the most exciting focus of new high-technology companies outside California and Boston's

Behind this success lies the development of a US-style venture capital industry that did not exist five years ago before the government intervened. In what Ed Mlavsky, a veteran high-tech investor in Israel, describes as "an incredible experiment", the government has belped to create a venture capital industry that is already larger in relative terms than its counterpart in Europe.

The older Israeli high-tech businesses were built mainly as a result of investment by large local holding companies such as Elron and Clal. But a new breed of young companies financed by venture capitalists

is emerging. Some 75 high-tech Israeli companies have now floated on Nasdaq, the US market for fast-growing companies, many of them venture capital backed. By comparison only 25 European technology companies have floated on Nasdag, although the comparison is imperfect because Europe has its own markets where high-tech companies can list.

Israeli companies are also beginning to be snapped up by international companies. Lannet Data Communications, a networking subsidiary of the Rad Group, was bought last June by UK-based Madge Networks for \$300m (£198.6m). Nice Systems sold Nice-Com, its networking company, to 3Com of the US last year for \$53m. And Ubique, an Internet navigator, was sold to America Online, the

While the driving force has been

1.100 1.200

private endeavour, the government shout 620,000 Jews who have emihas played a crucial role. Its most direct intervention was to finance a chain of "business incubators". They were designed to support young technology entrepreneurs, most of whom had moved to Israel after the disintegration of the Soviet Union in 1989.

Rina Pridor, director of the incubator programme within the Ministry of industry and Trade, says a disproportionate number of the immigrants were scientists and engineers and needed to be found fruitful work.

There were stories of professors sweeping streets," she says. "We realised there was a weak link. If you have an immature idea, you

The government's least direct, but most important, role as high-tech midwife has been its R&D budget

have almost no chance to prove it because it is too risky for commercial money [to be invested]." Pridor now has a budget of \$30m a year for projects such as that set up by Garri Passi three years ago. Passi is typical of the technology entrepreneurs in the incubators. After completing his PhD in non-destructive testing at Moscow's Nuclear Power Institute, Passi worked in a lab testing materials

Electronic Systems, has just emerged from the protective

warmth of the Nitzanim

Founded on work carried out

during a PhD at the Centre for

non-invasive foetal heartbeat

monitor which provides more

information about the nervou

system than the conventional heart

"As a person not from a business

Like other entrepreneurs who

have started embryonic business

in Israel's incubators, Karin is

unstinting in his praise for the

Medical Physics, Medco makes a

"business incubator" and is

taking its first tentative

commercial steps.

rate monitors.

for the military and some small contractors. Then the Soviet Union broke up and Passi became one of some quoted funds followed, raising most important role as high-tech another \$300m. Another group of midwife has been its research and acob Karin's company, Medco

grated to Israel in the past five years. Six months after arriving, he set up Solotron in the Nitzanim incubator at Nahel-Soreq to develop an ultrasonic inspection system for welded metals.

Pridor says a high proportion of companies such as Solotron have been "successful" in the sense that they have attracted commercial venture capital. Solotron raised £1m. of investment and is now distributing throughout Europe.
Some 230 of the 400 projects

remain in the incubators, Pridor says. Of the 180 to have emerged, 60 per cent have continued to function. About 40 have attracted venture capitalists to invest amounts ranging from a modest \$100,000 to \$4.5m.

The government took a more indirect role in nurturing high-tech companies three years ago when it decided to stimulate the develop-ment of a venture capital industry. A handful of funds, such as the 29m Athena fund, had existed as early as 1985, a few years after the venture capital industry started to emerge in Europe. But the industry only took off after the government set up Yozma Venture Capital in 1993 to act as a catalyst.

With a budget of \$100m Yozma has invested in nine local funds alongside foreign venture capital investors. This raised \$200m and brought in foreign investors such as Walden of the US, Kyocera of Japan, TVM of Germany and

Private venture capital funds and

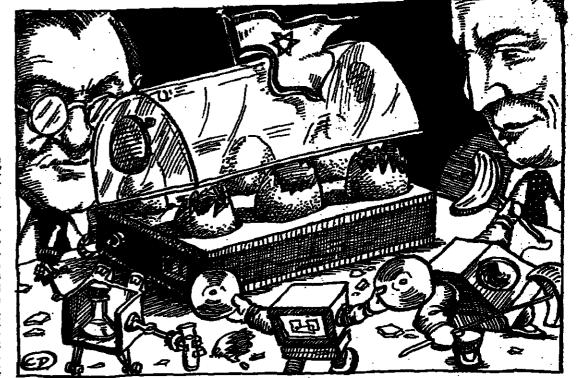
diversified private funds have raised a further \$550m, a third of which has been invested in technology companies, according to Giza Group, an Israeli investment banking firm.

Yozma was an incredible experiment," says Mlavsky, who is president of Gemini Capital Fund Manut and former director of the "Bird" Foundation which has helped joint ventures between US and Israeli companies invest more than \$200m in technology-based companies. "A government-owned venture capital fund acted as a catalyst to attract foreign funds. It got the industry started," Mlavsky says. Giza's general manager, Ezer Tzo-

ref, estimates that half this \$1bn of funds has already been invested in start-up and early-stage companies. This means Israel in the last three years has invested about the same amount of venture capital in young companies as Germany, the UK and France combined.

Yigal Extich, president of Yozma says the test of whether Yozma has fostered a robust venture capital market will come when the funds go out to raise new funds. But Yozma's task is complete.

"There was a market failure and our government stenned in " savs Erlich. Yozma is now about to auction its direct co-investments in 14 companies. And its co-investment partners in the nine Yozma funds are to exercise buy-out options that will allow them to repay the government on favourable terms. The government's least direct but



development budget which is one of the highest in per capita terms in the world. The government, through the Office of the Chief Scientist has an annual \$500m budget which it uses to pay up to half a company's R&D costs for projects

likely to lead to exports.

As important is the role of the Israeli Defence Force. Israel is littered with companies trying to commercialise technologies developed for the military or exploited by it. And the country has a generation of graduates who have tinkered with state-of-the-art technology in the army while doing national service after their university degrees. Take Meir Burstin and Gabi Ilan

who founded Advanced Recognition Technologies (Art), a Tel Aviv company that has developed voice and handwriting recognition software. This is being incorporated into per-

sonal digital assistants and motherboards that turn PCs into soft telephones. Both worked for Tadiran, the country's largest technology company. But they also both worked in army communications intelligence with algorithms they have since modified for their recog-

nition software. Variants of the Art story are evident throughout Israel. Ist, a company in the Weizmann Science Park in Rehovat, is developing an environmentally-friendly refrigeration system using heat exchange techniques to cool the electro-optical systems of night sights. Eldat, a company backed by Mofet Israel Technology Fund that is developing electronic labels with LCD displays is adapting a technology the air force used in electronic warfare. These three government actions have produced a profusion of new

delivering drugs to specific sites within the body. Di-Pharm has now raised \$2m of equity. It is too early to tell whether the incubators will nurture viable

businesses and by extension whether they represent good value to the taxpayer.
But in the meantime they are

providing researchers with an invaluable base for commercial development and venture capitalists with a plethora of potential deals. As Eliezer Manor, a director of Mofet, the venture capital group. says: "incubators are very good ways of encouraging the very early stages of entrepreneurship – in fact there is no other way."

without Yozma's help. While many have already sold companies, either on Nasdaq or to larger companies, many funds will not yet be able to demonstrate the investment returns

companies and potential commercial technologies. But the venture

capital industry and young technol-

ogy companies face some problems.

to begin fundraising - this time

The venture funds will soon have

that new institutional investors will want to see. Also, under current tax laws investing institutions now risk significant withholding tax problems if they invest in Israeli funds, an issue

the Ministry of Finance must address, venture capitalists say. Nor will government spending on R&D necessarily remain at current levels and the military budget is already falling. Aside from national security questions, the chronic budget deficit is one of the big issues that will need to be addressed after

next month's election. Many of the venture funds are very small. Some are accused of floating their companies on public markets when they are too young. As a result, Mlavsky says the young Israeli venture capital industry is

blundering around a bit". But US venture capitalists are optimistic that these are teething problems. The rapid growth of the industry will, as in all maturing industries, lead to consolidation so that fewer larger venture funds will be able to provide more funds to

create bigger companies.
The trickle of Israeli companie coming to public markets has turned into a steady stream. There would appear to be more to come.

# The nurturing business

background the incubator gives you all you need for your bus and there are advantages from the connections with the government." says Karin.

Those connections begin with the subsidy, now standing at \$30m. £19.8m) a year for 27 incubator: Entrepreneurs first offer their ideas for appraisal by a volunteer committee of industrialists. researchers and officials at the incubator and ultimately to a nmittee within the Office of the Chief Scientist If the project clears these hurdles

its management of three or four people will receive up to \$150,000 a ar in total for two years or up to 85 ner cent of the costs of the project. In Karin's case, the incubator stumped up not only the remaining 15 per cent, in return for equity, but provided a bridging

loan at a later stage. "The incubator should provide all the tools - money, logistical help, professional help – to bring an entrepreneur from the stage where the business is not attractive to commercial money to a situation where it is," says Rina Pridor,

director of the incubator

programme.
The types of business are many and varied. One inventor, an octogenarian emigré from Russia who spoke neither Hebrew nor English, developed a way of purifying silicon wafers on which computer chips are placed. His company, Sitsarri Materials Purification, subsequently raised \$4.5m from venture capitalists to develop the process.

a doctorate at the Weizmann Institute and developed a way of

Tultures circling over

meat. Crédit Foncier this week

became the latest in a line of French financial institutions to take a large writedown against its property assets. Experience

disposals will follow.

The vultures – mainly US

investors, although many have

European partners - hope to

grow fat by picking over the unwanted assets of institutions such as Crédit Foncier.

A few deals have already been struck. In December,

Barclays Bank sold the bulk of

its French property loan book

to a US consortium including Lehman Brothers, the invest-

ment bank, Cargill, the finan-

cial and commodities group,

Earlier this year Groupe Suez sold a similar portfolio of distressed property loans to a consortium led by the White-

hall Fund, an investment fund

run by Goldman Sachs, the US

investment bank. Other US

investment banks, including

Morgan Stanley, are working

. The market in distressed

loans is potentially huge. Analysts estimate that French

banks and insurers are sitting

on \$40bm (£27hm) to \$60bm of non-performing loans.

UAP, the insurance group, is the latest French institution to

market a portfolio of distres

property assets. Others are likely to follow.

It is no surprise that US

investors dominate the list of potential buyers. Many of them

made handsome gains in the early 1990s in the aftermath of

the collapse of US real estate

This experience taught them

leverage was applied. In the

investor.

hard to find similar deals.

and LaSalle Partners, the property management com-

suggests

the French property market are finally getting a taste of red

### THE PROPERTY MARKET

# Distress call from France

Unwanted assets are up for grabs, says Simon London



value, depending on the quality of the assets. intense," commented a banker

Investors analyse the portfo-lio loan by loan and decide Whether they can make a profit by either striking deals with borrowers or exercising their security and taking possession of the underlying prop-This requires a careful mar-

how to value complex loan portfolios and demonstrated riage of financial, legal and the remarkable gains which property expertise.

The Whitehall Fund consortium includes Vines, a private can be made from distressed The returns on equity on the early [US] deals were more property company run by Mr Martin Myers (who is also than 50 per cent, even before chief executive of Imry, the

property company owned by Barclays), and Mr Miles D'Arcy early stages of this kind of market the returns can be stag-gering," commented one US-Irvine, a property investor with many years experience in the French market The deals now being done in However, there are some cru-France certainly look familiar to US eyes in terms of struc-

cial differences between the US and French property markets. which mean that investment Banks are selling portfolios returns could be significantly of doubtful loans, secured on

"There is a danger that peo-ple will go gung-ho into the individual properties, at a discount to face value. The dismarket and pay too much. We've looked at deals but comcount is usually between 30 per cent and 60 per cent of face

petition for them

with a European investment

First, French financial instirutions are generally under less pressure to sell than their US counterparts.

The Resolution Trust Corporation, the US government-backed body which cleared up after failed savings and loans institutions, was under a legal obligation to sell. Private sector hanks faced intense pressure from shareholders.

French hanks and insurance companies, in contrast, are able to take a more relaxed attitude. Many have already set up ringfenced vehicles to deal with problem loans and are only likely to sell if the price is attractive.

Against this background, the French distressed loan market is unlikely to balloon in the way that its US counterpart did in the early part of the

Second, the French legal system is much less favourable to lenders than Anglo-Saxon law

Buyers of distressed debt are more likely to prosper by stri-

king deals with borrowers, rescheduling loans and exchanging some of their debt for equity participations in the underlying properties.
Third, the French property market overall looks less well

Taking possession of properties

granted as security on loans in

placed for recovery than the US market did a few years ago.

Many of the investors who bought distressed loans from the RTC caught the upswing in

the US property market, helped by very low interest rates which were used to help recapitalise the financial rance, meanwhile. is

still struggling with relatively high interest rates courtesy of its link to the D-Mark in the European exchange rate med.

Neither does the French economy have a record of dynamic job creation which has helped fuel the recovery in US real estate.

"It is a completely different situation to the US. Property in France has had a steep decline and is probably now at the bottom of the cycle. But if it stays at the bottom for five years you could end up making a lousy investment," says Mr John Carrafiel, head of European Real Estate at Morgan Stanley. -

If investors can avoid paying too much, though, it should be possible to make reasonable investment returns from French distressed property

Buying large portfolios at a discount and breaking them up - buying wholesale and selling retail - is generally a profitable investment strategy.

After a small dip last year, French property values have probably reached their nadir. Although the upswing promises to be steady rather than spectacular, investors are also buying close to the bottom of

the market. Moreover, the French property market as a whole should benefit as domestic financial institutions write-down assets to realistic levels.

The frozen market of the last two years, when very little property changed hands for fear of crystalising losses, was damaging in itself. The introduction of new capital - even if it looks like vulture capital must surely be an encouraging

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VY MAY 3 1986

orty years after Step hen Joseph set the project in motion, the theatre in the round which bears his name has now moved into an impressive permanent home in Scarborough. The town's former Odeon cinema has been converted into a twin theatre/cinema/restaurant complex, with its original Art Deco design being preserved and restored as far as possible - even the carpeting has been The constant rewoven to the original 1930s pattern. Artistic director Alan Ayckbourn, having personally donated £400,000 towards the conversion, has chosen to open the main 400-seat auditorium with an uncannily modest and a second a second and a second a second and a second musical.

The original 1975 incarnation of Jeeves had a great deal to be modest about. Its West End run closed within a month, and it remains Andrew Lloyd Webber's only flop. It is understandable that Sir Andrew should want to remove this blot on his copybook; but that this 1996 version – with an entirely new book by Ayckbourn, only three of the origi-nal songs remaining and an added preposition in the title works on its own terms is due almost entirely to Mr A's vigor ous work in limiting what those terms should be.

Never have I seen a show that takes such consistent pains to play down any great expectations: Bu Jeeves is absolutely determined that it should be seen as no more than a bit of fluff, a "diversionary entertainment". Ayckbourn has framed the main story in a ramshackle church hall concert, as an anecdote told to Bertie Wooster while he awaits the arrival of a banjo for his scheduled recital. Thus the playwright has access to the comic potential of supposedly ad hoc props, costumes and performers, and is enabled to let Bertie and Jeeves argue about the telling of the story. Even Jeeves' final coup to resolve matters comes in the form of a staging gag. Likewise, many of the musi-

cal numbers are either punctuated by asides from Bertie, or completely halted several times by unfolding events. This may or may not have been Lloyd Webber's original vision, but it is a playful, knowing piece of work, and if Ayekbourn occasionally nods (would Bertie Wooster really be bright enough to remark, as matters take a turn for the catastrophic, "This is getting like the fourth act of Medea, Jeeves"?), the atmosphere of cheerful tomfoolery renders

such lapses forgiveable. The tale itself is a countryhouse Jeeves and Wooster affair featuring almost all of Bertie's Drones Club chums

n *Tolstoy*, a new bio-graphical drama, writer

James Goldman presents

the writer and his wife

with stars".



# 'By Jeeves' is back

Ian Shuttleworth reports from the new Stephen Joseph Theatre

and previous romantic entanglements, with only his fearsome aunts missing from the fray. Chaps assume each other's identities at breakneck speed, young popsies fall for the wrong chaps, the bluster-ing Sir Watkyn Bassett grows fearfully bewildered and Jeeves saves the day by orchestrating Bertie's pretended burglary in a ridiculous mask leading to the deliciously daft big suspense number "It's a Pig

Lloyd Webber's score,

arranged for a five piece band, is as modest as the show itself.
Only a few of the tunes attempt a period feel, and during the main romantic duet, Half a Moment, a musical phrase from his earlier song Memory repeatedly pokes its head up like a startled meer-

The only noteworthy flaws in performance are from Diana Morrison, whose bat-squeaking Madeline Bassett is spo: on though wearing, and Malcolm Sinclair, who ably captures

by Ayckbourn, but cannot a theatre of any appreciable quite find an appropriate voice size. It needs either a smallish for the great man. As Bertie, Steven Pacey makes an excelvenue or a Stephen Daldry-style customisation of the lent amiable, good hearted space, or it will simply flourchump, flashing cheerily inane der. In its Stephen Joseph grins at what he thinks are his home, the show's reception is best summed up in Ayck-bourn's own verdict: "It's light, good bits and generally win-ning over an already well disposed audience even further. it's fun and it's silly." A note of caution, however: come the almost inevitable London transfer, nothing would kill the determinedly

Jeeves' manner as cartooned

At the Stephen Joseph theatre, Scarborough, until June 1.

acting is marred by too much

self-conscious pained nobility.

Gemma Jones's Sonya, by con-trast, though more modest in

tone, projects into the theatre

much more carefully. Their

styles are so dissimilar that it

is impossible to believe that

these people had been married

for one year, let alone 48. Nonetheless, Jones catches

the essential tension of the

era's femininity - both strong and delicate in feeling, both

as thoroughly as plonking it in

#### unassumed charm of By Jeeves 01723 370541. good Tolstoy if only he had more of a role. His naturalistic

### Tolstoy takes to the stage

Sonya during the strange final of a 48-year-old marriage that has produced 13 children. (At weeks of his life in 1910. Goldman is the author of such the time of the play, Tolstoy is 82, his Sonya 66.) For another, Goldman takes us with a fair plays and movies as The Lion in Winter, Nicholas and Alexandra, Robin and Marion: degree of success into the robust Great Couples of Hisanguished mind of Sonya. But, tory romps sprinkled with such to enjoy Tolstoy best, one has to look over its shoulder to the lines as "The sky is pocked superior play it almost There is no shortage of reabecomes: a Strindbergian sons to find fault with Tolstoy. drama of matrimonial warfare, It is intensely stagey, and yet it a bitter depiction of what happens when the artist forsakes also seems to want to be a film; it is melodramatic and artifithe muse he married long ago, cial; the staging, by the American director Jack Hofsiss, and a Romantic tragedy about a Christian artist torn between never quite gels and the play the flesh and the spirit.

The early decades of the Tolstoys' marriage produced not only 13 children but also War and Peace and Anna Karenina. Tolstoy and Sonya developed thing, to follow the breakdown the habit of exchanging the

private diaries in w h their innermost .....s were secreted. The intelligent courtesy with which they pursue this practice is one of the most interesting aspects of this play.

By 1910, however, Tolstoy has developed his own form of Christianity, has become possessed by ambitions for chastity and for pursuing his philosophical writings - using, as his assistant, not Sonya but his devout admirer Vladimir Chertkov. Sonya, profoundly jealous of Chertkov, banishes him from her house. To Chertkov, the immortality of Tolstoy's every thought is more important than the Tolstovs' domestic contentment; and he persuades Tolstoy that Sonya's behaviour is so neurotic that

both Tolstoy and her diaries

must be removed from her before she destroys them. It is hard to respect Tolstoy's acquiescence here. To Sonya, this act proves a desecration of her marriage and she attempts sui-

Tolstoy then leaves home. He is in quest of solitude, and even in hiding he feels her eves pursuing him. Sure enough, she tracks him down. She is right outside the house in which he dies, symbiotically and correctly sensing the pre-cise moment in which life leaves him.

The play has too many short scenes, too many narrators, too much slick rhetoric. And we never really enter Tolstoy's mind as we do Sonya's. F. Murray Abraham, the celebrated American actor, might be a

vulnerable and honoured in social position, dignified and tender in manner. Her Sonya has true pathos: a muse whose artist-husband forsakes her and yet whose being he cannot

**Alastair Macaulay** Aldwych Theatre, London

Music in London

### Sounds international

he London Interna-tional Orchestral Season at the Royal Festival Hall featured the Japan Philharmonic Symphony Orchestra last Thursday and the Sudwestfunk Symphony Orchestra from Baden Baden two evenings later. To its credit, the Japanese orchestra did not play safe with popular favourites, though it might have chosen a more stimulating piece than Takashi Yoshimaisu's The Age of Birds.

This three-movement suite was described in the programme as "an ode both to the creatures searching for new wings to lift them above the 'chaotic forest' of contemporary music and to the members of the orchestra". With its lush washes of string, static harmonies and chirruping arabesques, glittering with light percussion, it could hardly be said to rise above much, and aspired merely to the level of posh film music.

The single popular favourite in the concert had the worst performance. Rachmaninov's Rhapsodu on a Theme of Paganini demands particularly close co-operation between the orchestra and the solo pianist, but Andrei Gavrilov rattled off his part with such percussive brittleness he might have been taking an air gun to dispatch any birds still flying about after the Yoshimatsu. There was little rapport between Gavrilov and the conductor, Jun'i-chi Hirokami, though at least Hirokami seemed to be trying. He got his chance, anyway, in Falla's The Three-Cornered

Hat, and seized it enthusiasti-cally. The orchestra responded with discipline and brilliance, and Akemi Sakamoto showed off her fine mezzo-soprano in her two brief solos. In the first of two encores, Hugo Alfven's Grieg-like *Elegy*, the strings showed off their perfect balance and phrasing, with a nice clarinet solo thrown in, and then the orchestra let rip in a syncopated movement from Kaoru Wada's Folkloric Dance

The Sudwestfunk Symphony Orchestra Baden-Baden with its conductor Michael Gielen is famous for tackling the most difficult and complex new scores, notably at the Donaues-chingen Festival. But on Saturday it chose a solid classical programme, with the 30 yearold German, Christian Tetzlaff, as soloist in Brahms's Violin Concerto, followed by Schub-

ert's Great C major Symphony. Tetzlaff and Gielen were well matched in their approach to the Brahms, which was very straight. Tetzlaff's tone may not have been as sweet as that of some violinists, but his attack was exhilarating and his intonation perfect. He played with complete commitment, and though neither glamorous nor showy the audience appreciated him. As an encore he played the Gavotte from Bach's E major Partita, which would have pleased Brahms.

Gielen at one time was chief

guest conductor of the BBC Symphony Orchestra, but he is still an underrated figure in London. He conducted the Schubert in the most restrained way, but there was no doubt that he had planned the performance in depth, and his choice of tempi was revelatory. The Andante introduction really moved, and eased into the Allegro without a noticeable change of gear. The switch to the faster coda was perfect. Madmen sometimes utter the truth, and at the end of the movement, a voice was raised from the back of the hall; it took a few seconds to realise he was expressing his appreciation, summing up with Brilliant!"

The second movement was also ideal at a relatively brisk pace and accelerated into the climax thrillingly. After that, the Scherzo and Finale plain sailing. A wonderful performance, which you might have thought made any encore impertinent. Yet the third Entr'acte from Schubert's music for *Rosamunde* was played with such exquisite tenderness and reticence, it

Adrian Jack

### Spotlight on Daniel

ntil Paul Daniel takes up his position as musical director at English National Opera, everything he does will be under close scrutiny. His concert at the Barbican on Tuesday was a day's outing from Leeds for the English Northern Philharmonia, the title assumed by the orchestra of Opera North when giving concerts. By virtue of being music director of Opera North, Daniel also holds the title of principal conductor

of its orchestra.

Daniel chose Mahler's First Symphony and by and large chose well. Once past an indulgent opening movement which could not resist slowing down to admire favourite moments here and there, the performance exerted a firm grip

both on structure and detail. The English Northern Philharmonia may not be in a position to rival the London orchestras in the Mahlerian hierarchy, but it can still make a positive impression if it has been rehearsed to play as confidently as it did here. That is the prime responsi-

bility of a music director and Daniel will fulfil expectations if he manages to get the ENO orchestra to raise its game to the same degree. Admittedly, most of the rehearsal time had been spent on the symphony and a short premiere -Andrew Sallis's Dancing for Cormorants (imaginative orchestral timbres, less convincing in musical argument) The three operatic extracts sometimes found the players

The soloist was the bass John Tomlinson, a trusty friend of Opera North. Among his successes there have been Musorgsky's Boris Godunov and Verdi's Don Carlos, which were recalled with one solo apiece, though not without some effort, as the singer had to work hard to keep intonation and line under control. In Wotan's farewell from Die Walkūre he sounded more comfortable, the voice flexible, the music felt as if from the inside. Daniel made a sympathetic accompanist. knows? - his tenure at ENO may well include the company's next Ring cycle.

Richard Fairman Sponsored by the Friends of Opera North.

#### Sponsorship/Antony Thorncroft

### Granada puts its best foot forward

ranada has taken an artistic director Christopher important step into arts sponsorship by signing a £75,000 package of support for the Rambert Dance Company, one of the largest ever commitments to a contemporary dance troupe. Most of the money will go towards keeping seat prices low during Rambert's season at the Coliseum in London from July 9-13.

This will be Rambert's first London season for four years. Taking on the 2,000-seat Coliseum is a great challenge for a medium-sized dance company, but the Granada funding enables Rambert to offer all the seats in the house at under £20 and over half the house at less than £15.

Rambert is on something of a high at the moment under

Bruce. It has increased its dance troupe from 16 to 25; secured a £1m-plus annual grant from the Arts Council; and is successfully touring the UK and abroad.

This is Granada's first major

involvement in the arts. It has chosen a popular option - keeping ticket prices down so that a new and wider audience can enjoy the show is a fashionable issue, and has the support of Labour's shadow arts minister, Mark Fisher. Granada is planning to play a greater role in arts sponsorship on a case by case bas

The future of the Grosvenor House Antiques Fair also seems assured. When Granada acquired the hotel group, Forte, earlier this year were fears that it would eject the fair, not a significant profit earner, from the Great Room of the Grosvenor House where it has been a June fixture for over 60 years. Now Granada has committed itself to hosting the fair, the grandest occasion of the antique year.

In an imaginative sponsorship, Woodmansterne, a family firm which specialises in artistic greetings cards, has given £20,000 to be shared between five art galleries to help pay for the conservation of a painting at risk. The awards, selected after competition, range from £500 to £10,000, and the galleries receiving belp are the Courtauld; Dulwich Picture Gallery; Holbourne Museum, Bath; Shakespeare Birthplace Trust; and the Smith Art Gallery, Stirling.

INTERNATIONAL

never seriously enters into Tol-

stoy himself. Finding merit in

Tolstoy is an altogether harder

It is oddly refreshing, for one

affair. And vet I do.

#### **BERLIN**

Deutsche Oper Berlin Tel: 49-30-3438401 Palestrina: by Pfitzner. Conducted by Christian Thielemann and performed by the Deutsche Oper Berlin. Soloists Include Reinhard Hagen, Oskar Hillebrandt, Gerd Brenneis and René Kollo; 6pm; Komische Oper Tel: 49-30-202600

 Komische Oper: with conductor Thomas Kalb perform Mascagni's Cavalleria Rusticana and Leoncavallo's Pagliacci. Soloists inctude Slavkova, Oertel, Spiewok and Neumann; 7pm; May 4

#### DRESDEN

DANCE Sächsische Staatsoper Dresden Tel: 49-351-49110 Ballett Dresden: perform the choreographies Auf Suche by Stephan Those to music by J.S. Bach, Gras by Mats Ek to music by Rechmaninov, and Erde by Katarzyna Gdaniec to music by

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Shostakovich; 3.30pm; May 5

The Queen's Hall Tel: 44-131-6683456 The Edinburgh Symphony Orchestra: with conductor Alasdair perform works by Gluck, Mozart and Bruckner, 7.30pm; May 4

#### **■ GENOA** OPERA

Teatro Carlo Felice Tel: 39-10-589329 L'Italiana in Algeri: by Rossini.
 Conducted by Yoram David and performed by the Teatro Carlo Felice. Soloists include Sonia Ganassi, Ruggero Raimondi, Bruce Ford and Bruno Praticò; 3.30pm; May 5, 7

#### ■ HELSINKI

Opera House Tel: 358-0-403021 Tosca: by Puccini. Conducted by Kari Tikka and performed by the Helsinki Opera. Soloists include Pirkko Tornqvist, Peter Lindroos and Esa Ruutunen: 7pm; May 4

#### **■ LONDON**

DANCE Royal Opera House - Covent Garden Tel: 44-171-2129234 The Royal Ballet: perform Frederick Ashton's Illuminations to music by Britten, Symphonic Variations to music by Franck and The Dream to music by Mendelssohn; 2pm & 7pm; May 4

EXHIBITION Whitechapel Art Gallery Tel: 44-171-5227888 EDINBURGH Jeff Wall: this exhibition presents 18 large illuminated transparencies by the Canadian artist. Each of Wall's works consists of a photographic transparency in a wall-mounted light box - creating an effect similar to that of a stained-glass window or a back-lit advertisement; to May 5 JAZZ & BLUES

### ● Tania Maria: with special guests the Anthony Kerr Quartet; 10.45pm

LOS ANGELES

Ronnie Scott's Tel: 44-171-4390747

EXHIBITION Los Angeles County Museum of Art Tel: 1-213-857-6000 From the Land of the Thunder Dragon: Textile Arts of Bhutan: exhibition of more than 50 textiles fine silverwork accessories, and appliquéd Buddhist images. The display explores the ways in which textiles are integrated into the life of the Bhutanese people, from royal gifts to currency. Highlights include textiles owned by Her Majesty, Ashi Sangay Choden Wangchuck, Queen of Bhutan; to May 5

#### MADRID

EXHIBITION Fundación Juan March Tel: 34-1-4354240 Contemporáneos Fondos de Collection: exhibition of 21 paintings by contemporary Spanish artists from the museum's collection. Artists represented include Antoni Tàpies, Manolo Millares and Miquel

Barceló; from May 6 to Jun 16 **OPERA** 

WC2.

Teatro de la Zarzuela Tel: 34-1-5245400 Falstaff: by Verdi. Conducted by Alberto Zedda and performed by the Teatro de la Zarzuela. Soloists include Bruno Praticò, Octavio Arevalo, Carlos Alvarez and Ilona Tokody, 8pm; May 4

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#### PARIS

CONCERT Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Jean-Claude Pennetier, Régis Pasquier and Roland Pidoux: the pianist, violinist and cellist perform works by Chopin and Rachmaninov; 11am; May 5 DANCE Théâtre de la Ville Tel: 33-1 42 74 22 77 Ballet Cullberg: perform the choreographies Pointless pastures

and She was black by Mats Ek; 8.30pm; to May 4 Musée Picasso Tel: 33-1 42 71 70 84

 Les carnets de dessins de Picasso: exhibition of 58 sketch-books by Picasso from the museum's collection; to May 6 OPERA L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99

Manon Lescaut: by Puccini.

Lang-Lessing and performed by the Opéra National de Paris. Soloists include Miriam Gauci, Jean-Luc Chaignaud and Fable Armiliato; 7.30pm; May 6, 10

#### **■ STOCKHOLM OPERA**

Conducted by Sebastian

Kungliga Teatem - Royal Swedish Opera House Tel: 46-8-7914300 Elektra: by R. Strauss. Conducted by S. Köhler and performed by the Royal Swedish Opera. Soloists include Gunilla Söderstrom, Laila Andersson, Anita Soldh and Ragner Ulfung; 3pm; May

#### ■ SYDNEY DANCE

Drama Theatre, Opera Theatre, Playhouse Tel: 61-2-250-7127 Momix Program 2 - Passion: a choreography by Moses Pendleton, performed by the Sydney Dance Company; 7.30pm; May 4, 5 (5pm),

#### **■ VIENNA** CONCERT

Konzerthaus Tel: 43-1-7121211 Zoltán Kocsis; performance by the pianist, accompanied by soloists of the Budapest Festival Orchestra. The programme includes works by Webern, Kodály, Brahms, Bartók and Von Dohnányi; 7.30pm; May 6 Wiener Staatsoper

Tel: 43-1-514442960 Ariadne auf Naxos; by R. Strauss. Conducted by Horst Stein and performed by the Wiener

Staatsoper. Soloists include Ann Murray, Edita Gruberova and Gabriela Benackova-Cap: 7.30pm: May 4

 Jerusalem: by Verdi. Conducted by Michael Halàsz and performed by the Wiener Staatsoper. Soloists include Eliane Coelho, Mariorie Vance, Keith Ikaia-Purdy and Ruben Broitman; 6pm; May 5, 8 (7pm)

#### **■ WASHINGTON** CONCERT

Warner Theatre Tel: 1-202-783-4000 Ladies of Note: a benefit performance for the Whitman-Walke Clinic, featuring Judy Collins, Roberta Flack, Melissa Manchester and Maureen McGovern; 7.30pm; May 4

#### ■ ZURICH CONCERT

Opernhaus Zürich Tel: 41-1-268 6666 Alban Berg Quartet: perform works by Mozart and Rihm; 8pm; May 6 OPERA Opemhaus Zürich

Tel: 41-1-268 6666 Rigoletto: by Verdi. Conducted by Oleg Caetzni and performed by the Oper Zürich. Soloists include Nadine Asher, Rolf Haunstein, Cheyne Davidson and Martin Zysset; 7.30pm; May 4

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Philip Stephens

### Best offer to IRA

The Republic has outgrown the obsession with partition and Dublin and Belfast might as well be a 1,000 miles apart

In Dublin, optimism mingles with quiet desperation. Even now the IRA's bombers may be attaching detonators to slabs of Semter in some squalid London bedsit. Two weeks ago they failed in their murderous art. It seems there was a technical hitch. A massive bomb planted under Hammersmith Bridge some-how did not explode. Next time they are unlikely to make the same mistake, Yet across the Irish sea

John Bruton's government will not admit that the chance of peace in Northern Ireland has been lost. It demands, pleads for, one last push to bring Sinn Fein to the negotiating table. Gerry Adams must be given another chance to persuade his cronies in the IRA to reinstate their ceasefire. Forget the disintegration of the Conservative party. John Major could yet take his place in the history books as the prime minister who answered the Irish

Thus does the Dublin government view the approaching all-party negotiations designed to bring a permanent political settlement in Northern Ireland. The talks are to begin on June 10. Ten days before that, elections will be held for a new forum from which the various negotiating teams will be drawn. Sinn Féin is expected to win a size-able slab of the nationalist vote. But Mr Adams, and on this Mr Bruton and Mr Major are entirely agreed, will be offered a seat at the table only if the IRA restores the cease

fire of August 1994. In the unguarded words of one senior Irish official the talks will not be worth "a penny candle" if Sinn Féin is not present. So it is to this objective that the Irish government is now devoting all its efforts. Dublin's calculation is that the resumption of the IRA bombing campaign in London may not herald an irrevocable reverse for those in the Republican movement who are ready to swap the

Despite a bar on ministerial contacts, Irish officials are in daily contact with Mr Adams. He tells them apparently that the game is not lost. But before the IRA's hard men can be persuaded, he adds, they must have assurances that the negotiations will be real, and without further conditions. They suspect that Ulster's unionists will hold a gun to Mr Major's head by threatening to desert him in the Commons. Above all, the IRA must not be obliged to give up their arms in advance of a political

Dublin's reaction has been to press Mr Major to give the reassurances. Dick Spring, Mr Bruton's deputy, says that arms decommissioning, on which the last ceasefire foundered, should be treated in parallel with, but separately from the three-stranded political negotiations.

Mr Spring wants General John de Chastelain, the coauthor with Senator George Mitchell of an independent international investigation of the arms issue, to oversee the talks on decommissioning. Senator Mitchell might be brought in to chair the second strand of the political negotiations - that dealing with a closer relationship between north and south.

That would leave the first strand, an internal political settlement, for discussion among the province's parties.

Ask Dublin politicians close up whether they really want to rule the mean streets of Belfast and Londonderry and they shudder in

visible horror

The third strand, the relationship between London and Dublin, would be for settlement between the two governments. If Mr Major signed up to these arrangements, what further excuse could the terrorists have for not halting the violence? Even the dimmest Republican would surely realise that it would be selfdefeating to forsake such an opportunity. As Mr Bruton intimated this week to a group of visiting British journalists, the IRA will never get a better

Among Northern Ireland's unionists this is an approach that provokes revalsion and suspicion in equal measure Revulsion at the thought that Sinn Fein might indeed suc-ceed in bombing its way to the negotiating table. Suspicion that talks on these terms would mark another turn of the ratchet leading Ulster into a united Ireland.

You can understand why the unionists might think like that, it is hard not to feel distinctly queasy at the thought that an organisation which has slaughtered so many innocents over so many years can get its way by planting a few more bombs in London. These people are not after all freedom fighters, denied access to the ballot box, left with violence as the only option in exercising the right of political expression.

It is obvious also that the British government has not been entirely candid about its dealings with the IRA. The London government opened clandestine contacts with Republican leaders when Margaret Thatcher was still in 10 Downing Street. Peter Brooke, the former Northern Ireland secretary, was addressing the IRA when he declared in 1990 that "The British government has no selfish, strategic or economic interest in Northern Ireland". Ever since, the twists, turns and contortions have been directed to that same end: to bring the terrorists in from the cold.

So it should be no surprise to hear the uniquist leader David Trimble declare that Dublin is up to its old tricks in demanding more concessions for the Republicans. In unionist eyes, Mr Major has supped with the devil for too long. Mr Bruton's government. is driven by the same ambition for Irish unity as each and every one of its predecessors. In its own way it is as Fenian as the IRA.

But this is where the unionists have it wrong. Their view of Dublin is as crudely outdated as the IRA's assessment of British intentions in Ulster. Of course, every Irish politician must still genuflect before the altar of eventual unity. But the Republic has outgrown the obsession with partition. Dublin and Belfast are 100 miles apart. It might as well be as 1,000.

The Republic is blossoming culturally and economically. It is the beneficiary of an economic miracle which has seen growth averaging 5 per cent a year and inflation tamed. Active engagement in Europe has allowed the nation's political class to break out of the ghetto of Anglophobia. These people demand parity of esteem for their nationalist kin across the border. But ask them close up whether they really want to rule the mean streets of Belfast and Londonderry and they

shudder in visible horror. Even if it could, Dublin would offer nothing to the nationalist minority in the north which deprived the unionists of a veto over constitutional change. The Republic wants peace not sovereignty Thus, Mr Bruton acknowledges, Sinn Féin could never expect all-party talks to yield significantly more than that laid down in the Anglo-Irish

framework document. In short, the Union is safe. But as long as the IRA wages war it will not be secure. To be a pure and principled unionist is to slam the door once and for all on Mr Adams and his terrorist chums. To be self-interested might be to hold it ajar for another few

### LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SEL 9FIL. We are keen to encourage letters from readers around the world. Letters may be laxed to #44 171 473 5938 (please set fax to fine), e mail: letters editor@fi.com Translation may be available for letters written for the main international languages.

### Achievements of Ukraine consultants hardly 'irrelevant'

From Mr Richard Ranken. Sir, We can't deny that International Finance Corporation consultants working in Ukraine are young (as mentioned in your article of April 18, "Consultancy blooms in Ukraine's sunnier climate"). Their achievements, however, can hardly be labelled "irrelevant".

Witness the fact that the Ukraine team has assisted in the privatisation of 6,000 small enterprises, has made

privatisation of large enterprises, and has recently designed and implemented the first working model for privatisation of collective

Richard Ranken. manager, Europe department, International Finance Corporation, 1818 H Street NW, Washington DC 20433,

#### Film is not for an elite

From Mr Douglas Finney. Sir, I was disappointed by Nigel Andrews' review of Richard III (April 25), He seems to come from the "I preferred the book" school whereas what we want to know is whether the film is good, qua film, and worth the price of a ticket. It is evident, and he appears unwillingly to admit, that a cracking good film has been produced, as confirmed by the reaction of my teenaged companions who are clamouring for the original

When one spends \$25m on a film it is no use appealing to

the elite to guarantee a return on capital. A tightrope between intellectual integrity and populism has to be walked. With intelligence, energy and sheer acting Sir lan McKellen has triumphantly risen to the challenge.

Incidentally, soliloquy on the stage is a time-honoured convention. On the screen it is absurd; transforming a soliloguy into a dialogue with the audience works very well and is by no means a gimmick

Douglas Finney, 34 Bolingbroke Grove, London SW11 6EJ, UK

#### Evidence suggests that Russia is not responding to 'shock therapy'

From Professor John Sharp and Mr John Thirkell.

Sir, Having just returned from visiting manufacturing plants in Russia, we would take issue with some of the comments of your editorial "A Sino-Russian exchange" and Professor Jeffrey Sachs' letter in your issue of April 24. Our visit provided ample evidence that shock therapy has not worked. Most manufacturing companies were clearly affected by lack of

working capital and uncertain and unstable tax regimes. Investment in new plant and technology is severely inhibited. Many manufacturers, especially in the non-basic consumption industries, are working at a fraction of capacity. Often they

have not been able to pay their workers for months at a time. Those plants working normally do seem to have slimmed their workforces somewhat. Our impression is that productivity levels were, prior to the reforms, lower than in western plants using comparable technology, but that this is no longer the case. The inefficiency is due to a lack of advanced technology, which would mainly be

imported from the west.

Although there was a clear

need to expand some service sectors, such as retail distribution, expansion of the financial services sector seems disproportionate. In our view, the real need was to expand consumer goods industries at the expense of heavy industry. In fact, Russian consumer goods industries have declined as a result of an upsurge in

imports. Among those we interviewed in manufacturing, Gennady Zyuganov, the Communist chief, is widely seen as offering Russia a chance to get back to work at pre-1992 levels. The easiest way of doing this is to revive those defence industries which have so far resisted conversion to non-military

production. In that context, the visit of Boris Yeltsin, the president, to China suggests that the west may, through a lack of interest in developing Russian consumer goods manufacturing, be encouraging

Russian policy that is inimical to western interests. John Sharp, Canterbury Business School John Thirkell.

social policy, University of Kent at Canterbury. Canterbury, Kent. UK

### Important share listing for Daimler-Benz

From Dr R.H. Ellenrieder. Sir, Haig Simonian's article "British cars not up to the marque" (April 26/27) refers to the London Stock Exchange listing of Volkswagen as being "unique among German car makers". As a matter of fact, the shares of Daimler-Benz AG, one of Europe's largest industrial groups with Mercedes-Benz as its most important corporate unit, have been listed at the London Stock Exchange since December 1990.

So successful is this listing

that the London trading volume in the Daimler-Benz shares, which, incidentally, are listed on a further eight stock exchanges around the world. continues to be the highest outside Germany. This emphasises the importance of London as one of the world's financial centres and Daimler-Benz's global orientation as regards capital markets and the internationalisation of its shareholder structure. For Mercedes-Benz, the

market is reflected in registrations in 1995 of close to 33,000 passenger cars and more than 17,000 commercial vehicles. This makes Mercedes-Benz one of the leading quality car marques in the UK and the number one importer of commercial

R.H. Ellenrieder, managing director. Daimler-Benz UK, The Economist Building, 25 St James's Street. London SW1A 1HA, UK

#### In, not out

From Mr Frank Blackaby. Sir, Your editorial Expanding Nato eastwards (May 2), advocating the eastward expansion of Nato is wrong. There are two obvious rules for a good security structure in Europe now the cold war is over.

The first is that Russia should be in it, not outside it. The second is that it should not create a new dividing line in Europe.

Frank Blackaby, 9 Fentiman Road London SW8 1LD, UK

# izer forum

### Health Care Reform: The Challenge for Japan

Every developed country is struggling to control health care spending through a variety of regulatory approaches. The head of Pfizer's international businesses argues that, instead, fundamental changes in health care systems are needed to cope with medical advances and higher patient expectations; and that Japan may provide

The end of the twentieth century coincides with the end of an era in health care. The day of the universal state-run health care systems which date back to Bismarck's establishment of the German social insurance system - is drawing to a close. These systems were great social experiments - but in the age of rapid advances in bealth care technology, high demand for the new technologies, and worldwide fiscal constraints, they cannot be sustained without a level of rationing that is unacceptable to today's sophisticated, informed patient. Germany's sickness funds, America's Medicare and Medicaid programs, Canada's Medicare program - all are buckling under the inevitable fiscal strain of offering a superior good-health care - free or almost free at point of service.

Japan, too, is experiencing problems of this nature. To Japan's credit, its leaders have conchuded that the only way to proceed is to undertake thorough, fundamental reforms. I for one believe Japan can devise an appropriate health care system for the twenty-first century - one that will "break the mold" rather than emulate the outmoded practices and principles that predominate elsewhere. But whether Japan will do so depends on which of two possible approaches

Surveying the international scene, we see two potential directions for health care reform. One is a cost-driven model which seeks to impose decisions on the patients from above. Unfortunately, this has been a popular approach in the 1990s, as governments and private health care payors in the developed world focus on controlling spending.

A second direction, though, is toward a patient-driven model of health care, which gives patients both greater choices and greater responsibilities. In my view, this model should prevail - and probably will - because governments and private payors will find it difficult or impossible to deny patients access to first class medicine. A prime reason is the information technologies now available across the globe, which allow doctors and patients to learn of new treatments quickly, and to find out where they are available. And, through technologies such as telemedicine, world class medical therapy can now be delivered across borders.

When information, therapies and people can move freely, any attempt to ration health care is bound to fail. Unfortunately, such attempts continue, because governments fear higher health care spending, viewing it as a drain on their economies. This view is flawed. A distinguished Canadian physician, Dr. Arnold Aberman, noted recently that spending on computer technology has soared over the past decade - yet no one speaks of a computer crisis. This is because individuals - not governments pay for their own computers. Spending on health care is regarded as a problem primarily because the spending comes out of the public purse or from third party payors, who regard innovation as a financial drain rather than a blessing.

Perhaps Japan can find a better way. A key may be to build on the distinctive strengths of the Japanese economy and the Japanese culture: long-term thinking, saving and investing, constant quality improvement. This brings us back to the analogy between the medical revolution and the computer revolution. In areas of technology other than health care, Japanese ingenuity and Japanese innovation have taken techoologies once beyond the reach of ordinary people, and made them affordable and accessible to hundreds of millions around the globe. How: many average persons do we see today with a mobile telephone, a laptop computer, or a home fax machine? Twenty years ago, it was inconceivable that these items would have been so widely available. A similar revolution can take place in health care. First, we must stop thinking of health care as simply a drain on the public purse and begin thinking of it as a productive area of the economy.

Second, we must use market forces to make the health care system better - not just cheaper. In a recent Plazer Forum, Paul Belien of the Centre for the New Europe argued that greater market freedom in health care benefits patients most of all, because in free markets "consumers have a real say. As they demand, choose and pay for a service, the service better be good and reasonably priced." This is the kind of market in which many Japanese industries have succeeded brilliantly. Quality products. reasonably priced, are the very hallmark of Japan's successful competitive strategy in the global marketplace. Is it too much to suggest that lapan is ideally suited to devise a similar approach to health care?

We have seen the earliest reform proposals from the Japanese government. While some, like premium pricing for innovative drugs, are promising, others, like the "repricing" of innovative medicines which achieve higher sales than expected, the "flat sum fee" or capitated

approach to reimbursement, and proposals to mandate generic pricing, suggest that old thinking holds sway. However, the Japanese govern ment has been open to discussion and it is hoped that more creative approaches may prevail as reform proceeds.

The essential point for Japan, and all systems, is that patients must take greater responsibility for their own care, through cost-sharing of some kind. There are intriguing models to study, such as the Medical Savings Account, an idea originating in Singapore and present in experimental form in the U.S. Policy experts like Dr. Wilfried Prewo in Germany and Dr. Eamonn Butler in the U.K. suggest similar experimentation in Europe - with government assistance for those who need it. This policy would lead to a patient-driven model of health care, which would reward citizens for saving and investing in their own health care, and give them greater choice and responsibility. It is an approach particularly well-suited to Japan - where saving and investing for the future have

been a long tradition. The health care system of the next century should be one in which we see continual quality improvements coupled with lower total costs and more choices for consumers exactly what we expect, and get, in every area of technology except health care. We have to change that - and we can. There are certain givens: in every system, the goal most be a healthcare system that is market-driven, empowers patients, requires consumers to share the cost of care, values quality of care above all else, and fosters the appropriate use of medicine. Perhaps Japan can be first to reach this goal - if it is willing to try. The rest of the world will be watching.

obert Neimeth is Executive Vice President of Pfixer Inc. responsible for Pfixer's International centicals and worldwide Hospital Products and Animal Basics Groups.

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PROBERMEN, MORE WILL THE ENGINEER STATES

### Europa · Aníbal Cavaco Silva The numbers fail to add up

importance of the British

Emu should be based on sustainable stability, not strict compliance with the Maastricht criteria



ment and weak growth have increased doubts over whether the European Union can proceed to economic and monetary union by January 1 1999,

on the timetable set out in the Maastricht treaty. The debate on the subject has concentrated on capping fiscal deficits at 3 per cent of gross domestic product and public debt at 60 per cent of GDP, the convergence criteria for membership of the single currency. Most member states

are facing serious difficulties in meeting these criteria by 1997, the year to be used in assessing which countries will join the monetary union. Yet it would be politically and economically wrong to make the start of the single currency and the selection of eligible member states depend exclusively on strict compliance with the convergence cri-teria. Would it make any sense to postpone the start of monetary union just because Ger-

many or France recorded a fiscal deficit of 3.2 per cent or 3.3 per cent of GDP in 1997? The fiscal criteria were adopted because monetary union requires discipline in member states' public finances to reduce inflationary pres-sures, encourage a fall in interest rates and foster stability in financial markets. However, a deficit in excess of 3 per cent of GDP or public debt above 60 per cent of GDP do not necessarily mean that there is indis-

The appropriate level of a country's fiscal deficit depends on its economic situation - it will be larger at the low points in the business cycle. It also depends on the structure of the economy - factors such as the rate of private saving and public investment needs.

Likewise, setting a ceiling for public debt of 60 per cent of GDP is no way to identify a financially unsustainable position. The trend of the debt. ratio is at least as important. A more important factor for



Anibal Cavaco Silva: Euru is a political step of utmost importance

is the sustainability of deficit reduction measures - a judg-ment on whether fiscal policies are generating durable results. The public finances of a country with a deficit in excess of 3 per cent of GDP may be in a better state than one with a lower deficit which cannot sustain that level.

Laying too much stress on the deficit level for 1997 may even he contrary to the principle of sustainability. It encourages the adoption of fiscal measures that have only a temporary effect on the deficit. or window dressing accounting procedures such as off-budget finance for public expenditure. In many countries, a sustain-

able reduction in the deficit requires structural changes. rather than tax increases or cuts in public investment. These include reforms in social security and health systems, privatisation of public services. an increase in charges for some services such as higher education and trunk roads. increased efficiency in tax administration and greater

flexibility of the workforce. When the public finances of EU member states come to be assessed, it should be the sustainability of public deficit reduction which is central, not exact compliance with the fig-

ures adopted as convergence criteria. A country with a defi-cit of 4 per cent of GDP which is likely to achieve a sustainable value below 3 per cent by 1999 should not be excluded. What matters is whether the structural fiscal deficit, excluding any cyclical component, and the public debt ratio are on a downward trend and the budget balance net of interest payments is positive.

Such a policy of "sound flexibility" - which is allowed under the Maastricht treaty does not create additional risks for the single currency. The "excessive deficits procedure" in the treaty will exert heavy pressure on countries to adopt sound economic policies. And monetary union is itself a powerful integration mechanism which will inevitably favour convergence in inflation and interest rates.

In compensation for flexibility at the start of the single currency, there may be a case for some additional rules to prevent irresponsible fiscal policies after monetary union.

The Council and the Commission should rapidly announce that the assessment of which countries will join the single currency will not only check deficit and debt ratio levels but will also analyse the sustainability of public

same time, they should encourpolicies that will ensure the sustainability of deficit reduction. They should also use EU institutions to support measures at national and European level to reduce structural unemployment. Adopting such a sound flexi-

monetary union does not have to be postponed, or launched with only a few members either of which would hearten opponents of further European Postponement would be very

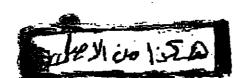
costly in terms of the credibility of European integration and give support to the idea that monetary union can be halted. It would also promote further instability on the financial and foreign exchange markets and push up interest

The markets would see it as leading to a relaxation in financial discipline and an easing in the structural reforms needed to improve the competitiveness and growth of the European economy. Countries with weaker currencies would suffer most by any loss of credibility in monetary policy and thus lose most in terms of

growth and employment. If monetary union is limited to only a few countries, its beneffts would be reduced and divisions opened between those that were in the single currency and those outside it. Those countries not in the monetary union from the start will find increasing difficulty in meeting the conditions for membership as they will face higher interest rates and more

volatile exchange rates. Monetary union is a political step of the utmost importance for the future of Europe and must be envisaged as such by European leaders. It would be wrong to make the decision over membership depend on the economic situation or a technocratic analysis of percentages, some of which have little relevance to a single currency. The final decision on which countries qualify for monetary union in 1999 cannot but include a significant political component, which no European leader can avoid.

The author was prime minister of Portugal for 10 years until October 1995, and is now a consultant to the Bank of Portugal



Baltic states: economies in revival

Estonia

#### COMMENT & ANALYSIS

**ESTONIA** 

#### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Friday May 3 1996

### Asia's bank and **Uncle Sam**

In failing to make up its arrears to the dwindling soft loan fund of the Asian Development Bank, the US is again behaving badly towards an international organisation of which it is a member.
Especially when it claims a

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large say in the policies of such an organisation, the US should be prepared to fulfil the financial obligations of membership. As with the UN and the World Bank, to which it has a long history of arrears, it is instead blithely ignoring them.

That stance may make pragmatic sense within the narrow confines of Washington politics, but it damages the broader standing of the US in the world. In the case of the ADB, Washington is going a step further by seeking to mpose the view that China and india, two large but very poor countries, should not be eligible for soft loans because both are able to borrow in the private capital markets.

The argument mirrors that under way with regard to the World Bank's soft loan facility. The view in the region is that private capital is not available to India or China in unlimited quantities. Living standards in both countries are low. Both confront large tracts of poverty. The US is in a poor position to push its views when it is failing to live up to its obligations.

Moreover, the ADB's soft-loan window is not the only part of the bank's operation which the US claims a right to influence. Largely as a result of lobbying by the more radical fringe of the US development movement, the ADB has set strict targets for the proportion of lending which is to be directed to poverty alleviation and the environment at the expense of

eral reasons. It is as hard to define what is meant by poverty allevia-tion as it is to measure the return that comes from lending for such a purpose. The bank may end up devoting too much of its resource to compensating for existing pov-erty rather than paving the way for future prosperity. China and Malaysia complained at this week's ADB meeting that rigid lending targets distorted the bank's operations.

The ADB's advantage, as its Asian members grow economically, may be an ability to contribute original Asian solutions to development problems. This may well involve the bank tailoring its soft loan programme to the needs of different countries. It does not need to kowtow to a country out-

### Power bids

Just when calm seemed about to descend on the UK electricity market, the government has disturbed it again. Mr Ian Lang, trade and industry secretary, has reminded investors that the government still holds "golden shares" in PowerGen and National Power, the two large generators. In one sense, the statement is uncontroversial, since it simply reaffirms the existing situation. But the announcement, which suggests that the government wants to block takeovers in generation raises more troubling questions about the government's approach

to competition in the industry. The statement comes just a week after Mr Lang blocked takeover bids by the two generators for regional distributors, against the recommendations of the Monopolies and Mergers Commission. To some industry commentators that appeared to leave the way open for Southern Company, a US generator, to bid for National Power, as it had been considering. Such speculation was dampened by yesterday's announcement that the government would maintain its policy on special shares in the light of possible bids for generators. The special shares, put in place at privatisation, prevent shareholders from acquiring more than 15 per cent of the generators

The implication of the statement is that ministers would, for the moment, cast a cold eye on bids. The insertion of such a provi-

helpful in providing stability in an

without government permission.

industry undergoing radical structural change. But the government's stated reasons for retaining the shares are curious.

First, it asserts that the shares are needed because the generating market is not yet fully competitive. However, a change of ownership would have no effect on competition, unless the bidder already owned generation or distribution capacity. If that were the case, questions of competition could be addressed adequately by the commission and Mr Lang himself. For example, Southern Company already owns Sweb, a distributor in the south-west; the commission and Mr Lang would have consid ered whether it should divest that business if it bid for a generator.

Some might regard yesterday's statement as helpful in that i would discourage such bids and hence reduce the likelihood of further lengthy commission inquiries. But there must be a suspicion that the political sensitivity over foreign takeovers of large UK companies played at least a part.

The second questionable aspect of the statement is the assertion that when the government eventually considers redeeming the shares, it will do so "after consultation with the companies" Why should it do so? And in doing so, why should it expect a manage ment to support the lifting of the

protective shield? The government has partly clarified its response to any bids. But deeper issues of policy towards sion at privatisation has been mergers and competition have also been thoroughly muddied.

financing infrastructure.
This is unsatisfactory for sev-

Asian members are right to complain at US attempts to impose unnecessary restrictions on its lending decisions. The US is a large shareholder but its voting rights in the ADB's ordinary capital are only 8 per cent, somewhat less than China and Malaysia com-

side the region which is shirking its financial commitments.

fully independent nations for the both Moscow and Washington. first time since they were swallowed by the Soviet Union after a brief spell of freedom in the interof government

breaking up the ice

on the Baltic Sea,

12 European heads

meet today on the Swedish island of

Gotland to celebrate the Baltic

region's rebirth after the end of the

cold war. Democracy has been

thriving since the disintegration of

the Soviet Union, and trade and

positively by the end of the cold

war as the Baltic," says one senior

But the leaders meeting at the old

of the cold war has not been

note of uncertainty to an otherwise

ter of Russia, Mr Helmut Kohl, the

of Poland, Denmark, Finland, Nor-

way, Sweden and Iceland, as well as

participants will be the prime min-

isters of Estonia, Latvia and Lithua-

nia - countries which until 1991

The summit will seek to empha-

sise the gains - rather than the

risks - for the region following the

collapse of the Soviet regime. It will

democracy in Russia. Poland and

the Baltic states, on trade, and on

so-called "soft security" issues such

as projects for improving the envi-

The region has certainly been

transformed. The "ice cortain" in

the eastern Baltic, which ran up

Finland's long border with Russia

been an important centre of Euro-

ronment around the Baltic.

were locked into the Soviet Union.

presentatives of the European

The conference will include Mr

"No region has been affected so

investment are rising.

Swedish official.

positive outlook.

In 1994, the Baltic states strongly supported by Sweden and the western powers - won landmark agreements on the withdrawal of Russian troops from their territories. There are still tensions with Moscow, especially over the conditions for the large number of ethnic Russians in Estonia and Latvia, many of whom are denied the vote by tough citizenship laws. But the independence of the three countries has been strengthened.

port of Visby know that the shadow Like Poland, the Baltic states have embraced market reforms and entirely lifted. Russia's opposition to the desire of the Baltic states now lead all the other former Soviet Estonia, Latvia and Lithuania - to republics in economic development. join Nato has left the future of the They are benefiting from investregion's military alliances hanging ment flows from Germany and their in the air and added a menacing Nordic neighbours. The states have followed Poland in winning associate membership of the EU and are pressing hard for inclusion in the next round of EU membership Victor Chernomyrdin, prime minisenlargement; Estonia, economically the most successful of the three, is German chancellor, and the leaders the most promising candidate.

The collapse of the Soviet Union and the east-west confrontation was Union. But perhaps the proudest a big factor in convincing Finland and Sweden that they could join the EU last year without compromising their neutrality.

As the summit will emphasise the opening-up of the Baltic basin has sparked hopes of a big trade revival in the region. St Petersburg, with its 10m population at the east concentrate on the resurgence of ern end of the Gulf of Finland, is seen as an enormous potential market by Russia's Baltic neighbours. and provides an incentive to build relations with Moscow.

The summit will ring with echoes of the Hanseatic League, the Balticbased block of trading towns which wielded strong political influence in Europe in the Middle Ages.

to the Arctic Sea, froze relations in But lurking behind the optimism a sea basin which for centuries had. that Sweden is determined will infuse the summit lies the problem of regional security. It is the most Now Germany is reunited, Poland important unresolved issue in the is free of Moscow's influence, and Baltic left over from the cold war, Estonia, Latvia and Lithuania are with deep ramifications for

The heart of the issue is the desire of Poland and the Baltic states for Nato membership to guarantee their independence. Moscow is strongly resisting Nato enlargement, but is especially opposed to the notion of Nato membership for Estonia, Latvia and Lithuania, which until five years ago were an integral part of the Soviet military

Prosperity without security

The Baltic region has enjoyed an economic revival since the cold war ended but a shadow lingers, say **Hugh Carnegy** and **Matthew Kaminski** 

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3.0 ~

infrastructure. A loud voice proclaiming Moscow's view has been the Russian ambassador in Finland, Mr Yuri Deryabin. In an interview last week with a Finnish newspaper, he said: "No matter what [the Baltic countries] say, can you imagine a situation where Russia would have an organisation like Nato on its border? Obviously protecting Russia's security interests would then come into play. Some kind of corresponding measures would have to be

The special sensitivity for Russia of the Baltic states makes the

Latvia

• Lithuania

● Kallmingrad ...

After the Soviet Union

Estonians; the rest of Slavic origin. Of the former Soviet republics, Estonia

moved tastest to shed the communist legacy - it was the first to introduce its own currency, which is pegged to the D-Mark. Expected growth of some 6 per cent this year will bring it close to the levels of output before it abandoned the command economy and lost its Russian markets.

Once the region's finance and industriel centre, its cities are predominantly

Once the region's triance and industrial centre, its cross are precommany.

Russian – non-Lativians imake up 48 per cent of the 2.6m population.

Despite a serious financial crisis last year, banking remains the backbone of an economy which has liberal laws on capital movements. German, Swedish and Russian enchants are again converging on the country as a centre for trade between Russia and the west.

nation with a rich independent history, its ethnic purity - 80 per cent of

its 3.7m people are Ethuarians - has reduced acope for conflict with Moscow. Former Communicis book power in 1993 and introduced a new, ...

strong currency and lectuced inflation. A return to growth has been offset

This region around the former Propsian city of Königsberg was annexed by

Stelln 50 years ago. Now the westernmost Soviet military outpost, its: Fusalan leaders want Kaliningrad to be an entrepot trade centre. The army

elite opposes reducing the large military presence — estimated at 200,000 soldiers in a population of 900,000 — inflated by the presence of divisions

withdrawn from central Europe and the Beltic states.

this year by an expensive backing shake-out. Spared the heavy industrialisation of the Soviet era; its economy is largely agricultural.

already delicate issue of Nato enlargement more awkward for the western powers. Mr Javier Solana, the Nato secretary-general, told the states on a recent visit that the western alliance would not neglect their security concerns or close the door to their eventual membership. But there is no suggestion that any of the three will be among the first candidates for Nato's enlargement.

3.0 - Merc

This in turn worries the Baltic states. They fear they will be consigned to a kind of no-man's land where they are de facto regarded as being within Moscow's sphere of military influence. "To bring in some countries and ignore others might create a dangerous grey zone and reduce security across the region," says Mr Albinas Januska, Lithuania's deputy foreign minister. Complicating the equation is the

position of Sweden and Finland. Both countries have given strong political and economic backing to the Baltic states. But both are still neutral – as they were throughout

the cold war - and continue to be nervous about their neighbours' determination to join Nato.

A solution canvassed by Mr Doug-las Hurd, the former UK foreign secretary, is for the creation of a Baltic security sub-zone - a proposal winning support behind the scenes from the Russians and the Germans. Separate from both Nato and Russia, this would create a security alliance, including Estonia, Latvia and Lithuania, in which Sweden

and Finland would take the lead. But none of the prospective members of this group is interested. It was ruled out at a meeting last week in Helsinki by Mr Paavo Lipponen and Mr Göran Persson, the Finnish and Swedish prime ministers. "Any military guarantees on

our parts to the Baltic states are out of the question," Mr Lipponen said. Nor do the three Baltic states want them. They insist they need a Nato tie that is stronger than their present membership of the alliance's Partnership for Peace programme, which offers co-operation without security guarantees.

"The overall responsibility for US and Germany to Sweden and Finland," says Mr Juri Luik, the former Estonian foreign minister. "If Nato enlargement takes place and the Baltic states are not in, then it would be very important to find ways to indicate that the Baltics are close to Nato."

The summiteers in Visby can skirt round these issues safe in the knowledge that nobody wants to confront them fully until after the Russian and US presidential elections later this year. In the mean-time, Sweden and Finland will lobby hard for the Baltic states to be pushed up the priority list for inclusion in the EU's enlargement on a par with Poland.

That is a vital goal for the three countries, but it will not satisfy them. Their deep-seated worry i that they will be left in a limbo in the new Baltic. "It is a unique chance in our history to become part of Europe," says Lithuania's Mr Januska. "But we fear the west might sell us out again."

### An African lesson

flotation of Kenya Airways provides an object lesson for Africa. Over the past three years the country's lossmaking state-owned airline has been turned into a profitable operation which has attracted a foreign partner. Last year the Dutch national carrier KLM took a 26 per cent stake, providing not only capital, but muchneeded access to management and marketing skills. Now the airline has been floated on the Kenyan and London markets. This is an example from which other African countries should learn.

Kenya has demonstrated that in an appropriate economic environ-ment inefficient, lossmaking public corporations can be turned into successful ventures, capable of attracting foreign partners. Among the countries that need to take note are South Africa, where the government seems to be dragging its heels over the future of Telkom, the state-owned telecommunications giant, and Zambia, which has been painfully slow in privatising the copper mines it nationalised in the early 1970s. Aid without private investment

is not enough to rescue Africa from its economic crisis. As a recent Unctad study pointed out, while foreign direct investment inflows to all developing countries more than doubled between 1986-90 and 1991-94, those to Africa hardly increased, staying at about

The successful privatisation and thirds. As a result Africa's share in the developing countries' total foreign investment declined from over 11 per cent to 6 per cent, leaving the continent marginal ised in an increasingly globalised world economy.

Yet, on closer examination, the picture is not as bleak as it may appear. In most years betwee 1980 and 1993 the rate of return in Africa was considerably higher than that in Latin America and than the average for all developing countries. Of course, the return on investment must be higher to reflect the perceived higher risk. Africa still has an image as a continent beset by debt, disease and disasters, natu ral and manmade. Moreover while most African governments have embarked on reform pro grammes, implementation has often been half-hearted.

Another hurdle is the weak state of the region's financial services sector, coupled with a poor telecommunications system. Yet both these problems are but symp toms of a basic policy shortcoming the slow pace of privatisation. As a result, there have been fewer

investment opportunities. Africa is lagging behind the rest of the world. But the success of the Kenya Airways flotation, and such examples as the privatisation of Ghana's Ashanti Goldfields show that thriving concerns can emerge from enterprises stifled by \$3bn a year, Of this, oil-producing state ownership in the early years countries accounted for about two- after independence.

### OBSERVER.

#### Wes cooling off - period

■ Starbucks coffee may have conquered America from Seattle. but there must be something else in the air and water which is giving the Pacific north-west, east of the Cascade mountains and stretching into Montana, a bad name. Not only is it the preferred habitat of militias, freemen and the Unabomber - now it has Wes -Cooley to ponder.

He is the 63-year-old freshman Republican congressman from eastern Oregon, hitherto best known for his feroclous assault on environmental regulations. He seems not to like laws of any form, which is the largest of his problems. The charge is that his wife, whom he may have married in the mid-1980s, continued to receive a military widow's pension for another 10 years. That's specifically proscribed, as any member of the veteran's affairs committee - where Cooley sits should be aware.

The circumstances of his marriage are mysterious. mostly because, unusually, the records are sealed in a California courthouse. But the Cooleys did recently stage a renewal of their wedding vows, 10th anniversary. His campaign literature always boasted of a wife. But he also boasted that he served in the Korean war (which

he now concedes was just "going on" while he was in the army) and that he was a member of the phi beta kappa fraternity for the very best university scholars (it turns out he belonged to a social club with different Greek words, at a modest California community

college). But at least his problems have given rise to one of the great quotes ever issued by a press secretary, worthy of Ron Ziegler's Watergate explanations.

Of the Cooley marriage, his aide said: "He will attempt to explain it when he has all the facts at his

#### Silence Goldman? ■ David Woods' ability to translate

into plain language the intricacies of the Uruguay Round earned him the gratitude of hacks the world

But the World Trade Organisation's mouthpiece has obviously decided it's time to look to his own balance of trade. The 49-year-old Brit is joining his erstwhile boss, Peter Sutherland now chairman of Goldman Sachs International - as the investment bank's first in-house PR lackey in London.

After 13 years in Geneva, Woods deserves a rest from squabbling WTO (and previously Gatt) ambassadors, who have even thwarted the creation of a logo for the new organisation. Meanwhile,

battling - not very successfully member governments in the name of greater transparency should stand him in good stead at the obsessively secretive Goldman. If he cracks it, he knows where to

Kime's home run ■ Admiral Bill Kime might have relinquished his job as head of the US coastguard, but he's still empire-building. Now executive chairman of Interocean Ugland Management Corporation, the ship-owning and management group, Kime is still making waves, now in the world of ship

A year ago Ugland International Holdings, the parent company, linked up with Totem Resources Corporation, the Seattle-based liner operator and owner of one of the US's largest tug and barge groups.

Now Ugland and TRC have got even closer together, with the formation of a single ship management group to manage the 43 vessels - including ro-ros, tankers and reefers - of their group now spread across operations in the US. UK and Norway. Kime says he feels like home is an airport lounge: "I've done more than 100,000 miles since the start of this year." Kime, now 61, hit US headlines in 1993 when he was the figure

repelling Haitian borders from the US coastline. But he presumably did it with full managerial competence, having introduced Total Quality Management into the coastguard during his four-year

stint Kime's a huge baseball fan. supporting his home side, the Baltimore Orioles. Lucky in business, unlucky in sport - the Orioles got slammed the other night by the New York Yankees

Sign of the times ■ Oh the marvels of German industry - straining every widget to keep ahead in the global cut and inrust of the 1990s.

In the course of this noble endeavour, Bayer, the chemicals glant, yesterday announced that as many as 10,000 of its employees would now be authorised to act as sole signatories to letters - instead of having to go to the trouble of securing a second signature on everything they sent out, down to the last invitation to an annual

The company trumpeted the advantages of this spiffing new system, with Manfred Schneider. Bayer's chief executive, reckoning it would give employees "more responsibility and motivation". You don't kid us. If Tony O'Reilly can save millions by

changing the label on baked beans cans, who knows what Schneider can save by reducing writing time?

### Financial Times

#### 100 years ago Debate in the Reichstag

In the Reichstag to-day, Herr Meyer, member for Danzig, interpellated the Government on the subject of the conversion of the German Imperial Loans. Count Posadowsky, Secretary for the Treasury, replied that it Government to depress the general rate of interest, nor could the Government think of grasping at every opportunity perhaps only a fleeting one - for converting the debt. The consequences of conversion would be that their good German money would go abroad, and that doubtful foreign paper would come over in its place. (Reuter).

France's pet colony The short-sighted and selfish policy of France in commercial proverbial, and numerous instances of it are given in Mr. Lambert Playfair's report on the trade of Algeria. The French authorities are doing their best to stifle the commerce of this, their pet colony, and their especial enmity appears to be directed against British enterprise. Wherever the Republic extends its dominion, there general commerce is handicapped, with the mistaken notion of keeping the trade in native hands.

estate n. 1 large four wheeled container for children, dogs, green wellies etc (usa. Volvo, Merc etc) 2 person's collective assets and liabilities 3 landed property. sec ROWE & MAW: 852p (ph 0171-248 4282)

LAWYERS FOR BUSINESS

## FINANCIAL TIMES

Friday May 3 1996



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Chance of qualifying for Emu queried by OECD

## Paris plans to cut public spending in real terms

The French government is planning to cut overall public spending in real terms next year in a bid to reduce its deficit sufficiently so that France can qualify for European Monetary Union.

The plan emerged as the Organisation for Economic Co-operation and Development said that both France and Ger-many would fail next year to meet one of the criteria for participation in the proposed European single currency - a budget deficit of or below 3 per cent of gross domestic product.

Mr Jean Claude Paye, secretary-general, said yesterday that OECD projections for both countries "yield a public deficit figure of more than 3 per cent" though he said the forecasts had been made before last week's announcement by Germany of a

DM50bn (\$32.8bn) austerity plan. The French government yesterday insisted that it was adhering to its goal of a budget deficit

Rapid growth

said Mr Edward McKelvey, a

senior economist at Goldman

Few analysts expect the central

bank to raise short-term rates as

soon as its policy meeting later

this month. But a tightening in

July is seen as possible if

growth appears to running above

2-2.5 per cent, which the Fed

regards as the economy's long-

Traders were vesterday prepar-

ing themselves for today's crucial

report on job growth in April. A

large increase in payroll employment would reinforce expecta-

tions of faster economic growth and raise the likelihood of a

tightening of monetary policy.

BT and C&W

new opportunities for an alliance.

Mr Olsen blamed the break

down of the talks on a "fruit

salad of reasons", but observers

close to the prospective deal said

price, the potential regulatory climate in the UK and the likely

attitude of the Chinese govern-

It is thought the two sides

ment were the most important.

started the talks in the expecta-

tion that a suitable price could be

agreed, but in the end BT was

not prepared to accept C&W's

Though the news came after

the London stock market had

closed, both companies' stock

tumbled in New York. In mid-ses-

sion, C&W's American Deposi-

tory receipts were \$21%, down

\$1%; BT ADRs were \$51%,

**Europe today** 

Five-day forecast

A north-easterly flow will bring gool and moist conditions to western Europe, Afternoon temperatures in the UK will approach 10C while in the western parts of the continent maximums will be around 15C. Cloud and showers will occur in the British Isles, the Benefux, western Germany and most of France, Southern Scandinavia and western Russia will also have cloud and rain. There will be thunder showers over the Balkans. Eastern Europe will stay dry and warm with afternoon temperatures exceeding 20C. Sunshine will prevail over the eastern Mediterranean but a few thunder showers will

Continued from Page 1

run potential.

in US GDP

Continued from Page 1

Juppe, the prime minister, yesterday launched a drive to cut spending, shed wasteful government programmes and trim civil service numbers.

Summoning all his ministers to a special meeting on the 1997 budget preparations, he asked them to throw themselves into the struggle to find enough savings to reduce this year's planned deficit of Ffr288bn (\$56bn) to below Ffr250bn next

Seeking an early show of parliamentary support for his measures, Mr Juppe has scheduled a National Assembly debate on next year's budget for May 14-15. He plans to involve himself personally in budget discussions for

much of the summer. Having ruled out any further increases in taxes, which rose substantially in the past year, Mr Juppé has now committed himself to keeping public spending in 1997 at the same level in current terms as this year. This commit-

within the criterion, as Mr Alain ment implies a real cut of around 2 per cent though the govern-ment will not comment on reports that it is aiming to prune spending by Ffr40bn-Ffr60bn next

> In addition to warning that all ministries will have to take cuts Mr Juppé is also prepared to prune those housing and job subsidies which seem to be having little effect.

These subsidies have been a major part of government policy stimulate the economy and create jobs, but the government now seems to be relying more on budget deficit cuts feeding through to interest rate reductions in order to boost

Mr Juppé is understood to believe that it might be a political mistake to repeat next year the partial wage freeze he has imposed on French civil servants this year. However, he appears prepared to tackle the issue of reducing the country's civil

### Matsushita enters Japan's domestic telecoms market

By Michiyo Nakamoto in Tokyo

Matsushita, Japan's largest consumer electronics maker, is set to become the first big Japanese company to take advantage of government deregulatory measures and enter the domestic telecoms market by providing longdistance telephone and network

Matsushita said it planned to connect its own private leased lines, which link about 500 of its subsidiaries and affiliates throughout Japan, to public telecoms networks and provide lowcost telecoms services to the general public as early as next year.

The plan would make Matsushits the first Japanese company to take advantage of the government's decision to allow private both ends to public networks by the end of next year. Toyota, the carmaker, also has

plans to provide telecoms and network services using private eased lines to group companies, although it hopes eventually to expand services to the public. Matsushita's move is expected to pave the way for other companies to offer similar services,

injecting further competition into Japan's domestic telecoms market, which is dominated by NTT, the former monopoly. The high market share that NTT still commands has been blamed for keeping telecoms

prices high and for delaying the introduction of new services. The decision by Matsushita

FT WEATHER GUIDE

also highlights the growing importance of telecoms businesses for consumer electronics companies as spending on home

leisure activities in the world's

main economies shifts from

audiovisual equipment to personal computers. In addition to voice telephony, Matsushita aims to provide network services, such as Internet and other multimedia services. "Our end goal [with this project] is to create a communications network that links individuals and this is just a first step

towards that," it said. The company, which last year sold its majority shareholding in MCA, the US entertainment group, hopes to reduce its dependence on sales of consumer electronics hardware, which have been hit by falling prices and sat urated markets. Last month Matsushita and IBM agreed to join efforts in developing and market-

ing network services. In its latest venture, Matsushita will connect its private network, which runs from Sapporo in the north to Fukuoka in the south, to about 40 points along NTT's local network. Callers will dial an access number that would link their phone line to Matsushita's private leased line.

The system will use an adaptor developed by Matsushita to route the call along the cheapest public network. By using this system, Matsushita hopes to provide long distance services at a discount compared with NTT and longdistance competitors.

### **CSFB** accuses EU on aid for eastern **Europe**

CS First Boston, the investment banking arm of CS Holding, has accused the European Union of "discrimination" in the allocation of aid money from the Phare programme for eastern Europe. In a letter to Sir Leon Brittan, the EU chief trade negotiator, CSFB complained it was being excluded from a privatisation tender financed by Phare because two executives on its team were not EU nationals.

CSFB said the EU should recognise that most investment banks were international institutions with a diverse staff. KU officials pointed out that nearly all KU aid is tied aid.

Under EU financial regulations, all companies tendering for aid or assistance contracts must be registered in the EU or in beneficlary countries. "There are moves afoot to untie aid, but the idea is still in its infancy," an EU diplomat said. Officials added that several

contracts also have written into them an exclusion clause stipula-ting that individuals as well as consultancies must be from an EU member state or from one of the beneficiaries.

CSFB said it interpreted the clause in the Hungarian tender as referring solely to companies and not to individuals.

The Phare programme, under which the EU disbursed Ecul.12bn (\$1.37bn) last year, is used to help countries in central and eastern Europe prepare for accession to the EU. The complaint arose over Phare's conditions for funding of Ecul.1m in fees for investment bankers advising on the privatisation of Magyar Hitelbank, Hungary's

largest commercial bank.
Although CSFB's worldwide headquarters is in New York and its ownership Swiss, the European operations are incorporated in the UK, so it qualifies as an EU firm. But in its team CSFB included Mr David Mulford and Mr Ian Molson, the chairman and co-head of investment banking for European operation

Phare has disqualified CSFB Treasury undersecretary, is a US citizen, and Mr Molson is Cana-

Although formal letters have not gone out to the bidders, Budapest investment bankers expect the privatisation mandate to go to Barclays de Zoete Wedd. the investment banking division of Barclays Bank of the UK.

Mr Mulford, in a letter sent last week to Sir Leon Brittan and obtained by the Financial Times, sharply criticised EU policy. "I find it extraordinary that we should be subjected to this test in the first place since we are a multinational firm comprising many nationalities, as indeed is the case for every leading international investment bank.

#### THE LEX COLUMN

## Broken engagement

Both British Telecommunications and Cable and Wireless have been damaged by the breakdown of their merger talks. But there is little doubt that C&W's wounds are deeper. Not only have the discussions taken their toll on morale, especially at its UK arm, Mercury Communications, which would have been sold had the talks succeeded, but C&W is now drifting without a strategy.

If C&W's new chief executive is really top-notch, he may be able to restore morale. But finding a way out of the strategic bind will be harder. C&W's loose collection of operations around the world - dubbed the "federation" by its previous chief executive does not add up to a convincing strategy. Such a collection would, however, have made a neat fit for BT, AT&T or Deutsche Telekom, all of which are aiming to create global supercarriers. Though the logic of such a tie-up remains, C&W could hardly embark on another series of complex and disruptive discussions in the near term. Since C&W is well pro-tected against hostile bids, the premium in its share price will evaporate.

BT has less to lose from the merger's collapse, but that does not mean it has got off scot-free. Not only has it lost the opportunity to leap ahead of its rivals in the race to form global supercarriers but it has to face the unpleasant fact that the lion's share of its business will continue to be UKbased and regulated. With BT's regulator, Oftel, looking to cut its operating cash flow by £1.2bn (\$1.81bn) a year. the medium-term earnings prospects are grim. Longer term, its interna-tional strategy may bear fruit. But the only short-term earnings fix would be to give its shareholders the £6bn cash it was planning to spew out as part of the C&W merger. Still, even that should wait until Oftel has finalised its plans. If BT moves too soon, the regulator could tighten the screws

#### Unilever/Nestlé

another notch.

Change was in the air for Europe's food manufacturers yesterday, with both Unilever and Nestlé announcing sparkling sets of figures. Both stocks had underperformed their respective markets by about 20 per cent since 1995, but they appear to be back on a

In the case of Unilever, the boast carries a slightly hollow ring to it. The recovery in the US was the result of a one-off rebuilding of Lipton drink stocks by retailers. Meanwhile the mature Japanese and Australian markets have taken some of the shine off

**UK** telecommunications FT-SE-A All-Share index

performance in Asia Pacific. Indeed, it was Europe that held out the greatest

hope of progress. Performance there was distorted by the £15m stock writedown of beef products due to fears over mad cow disease but underlying profits growth amounted to 6 per cent. A combination of mature product lines and troubled markets, such as Germany and France, means that growth will come from cost savings derived from a raft of previous restructurings. But a recent shake-up of Unilever's executive structure offers hope that a more responsive middle management will deliver better returns.

Nestlé is undergoing its own less dramatic management changes, but profits are being driven by external factors: a weaker Swiss franc and a decline in the coffee price. Coffee will add significant zest to 1996 profits, pushing group profit margins back over 10 per cent and helping generate the volume growth that seems to elude Unilever. Its shares should therefore lead the way.

#### UK power

Yesterday's government statement makes its electricity policy even more shambolic. The stock market instantly assumed bids for generators were ruled out, although on a close reading, the statement could not be more evasive. It is also gibberish. The golden share shielding the generators from takeover is, we are told, needed because they are not yet exposed to nough competition. In reality, the competition shortage makes the need for alternative disciplines on manage ment - such as the threat of takeover - more, not less, important,

The emphasis on competition is though, significant: it looks like a shot across PowerGen's bows. Suggestions that PowerGen might get away with-out disposing some of its power sta-tions to Hanson now look distinctly unrealistic. But this begs another question; how far Hanson should be allowed to build up generating capacity. The government's position on this hadly needs to be made clear. So does its view on combining more than one regional electricity company (rec): this

is, after all, an obvious fallback for Southern Company of the US which was stalking National Power. The market did jump to one optimis-tic conclusion: if US hidders cannot go for generators, bids for recs are now more likely. Well, maybe. But the con-stant shocks to this sector and the government's fondness for leaving so many hig questions unanswered must be a deterrent to foreign investors. In its protectionist mode, the government may not regret that. But it should not be surprised if US investors take a sniffy view when it tries to persuade them to buy nuclear shares.

#### Tracy the sheep

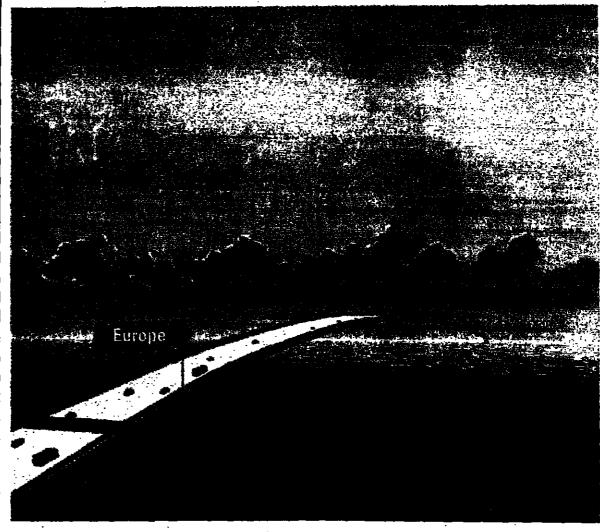
It may seem a lot of money to pay £100m for a sheep or even a flock of them. But Tracy the sheep and has brood are no ordinary harbivores; and PPL Therapeutics, Tracy's Scottish owner which is aiming for a £100m stock market flotation, is extraordinary even by the whacky standards of the world of biotechnology.

PPL is one of only three companies in the world breeding genetically mod-ified (transgenic) animals for their milk. By injecting them with human gene fragments, these animals can be made to produce human proteins and in particular proteins whose deficiency causes disease. PPL's sheep already make nine proteins connected with cystic fibrosis, haemophilia,

heart attack and stroke. Genetic engineering conjures up negative images, but the idea is not new. Eli Lilly of the US makes a fortune producing human insulin from transgenic bacteria. Others use mice. The advantage of sheep is that they can produce more complex proteins in higher concentrations. They are also a lot easier to milk. PPL's products should gain rapid market acceptance since they are natural and, once the herd is established, costs are minimal.

That said, the company will not launch its first product until 2001. Positive cash flow and profits will take even longer. But given the enthusiasm for biotechnology stocks, that should not present a problem for the float.

> Additional Lex comment on Kwik Save, Page 21



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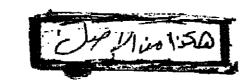
disturbance will produce cloud and rain in north-western France, the Benelux and southern UK. South-eastern Europe will remain warm with plenty of sunshine until showers arrive at the beginning of next week.

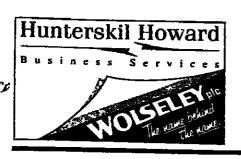
There will be showers over the interior of the continent and western Russia. The British Isles will stay mainly dry with sunny spells during the weekend. Later in the week a

We wish you a pleasant flight.

Lufthansa

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#### **FINANCIAL TIMES**

## **COMPANIES & MARKETS**

Friday May 3 1996



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**Agricole** 

**buys 51%** 

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#### IN BRIEF

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#### France poised to announce AGF sale

The French government is set to test the appetite of international investors for French privatisations with the sale of its 56.9 per cent stake in Assurances Générales de France (AGF), the insurance group.

Alusuisse-Lonza to acquire Wheaton of US Alusuisse Lonza, the Swiss aluminium, packaging and chemicals group, is set to become the world's biggest supplier of packaging to the pharmaceutical industry after agreeing to buy Wheaton of the US for more than \$400m.

DSM declines 40% in first quarter DSM, the Dutch chemicals group, saw its first-quar-ter net profit slump to Fl 205m (\$119.5m) from the Fi 356m achieved during the same period a year earlier. It nevertheless reiterated its forecast that 1996 would be "a good year" overall.

North Sea Ferries seeks closer P&O ties North Sea Ferries, the joint venture between the UK's P&O and Nedlloyd of the Netherlands, is seeking to intensify its co-operation with its UK partowner in response to growing competition from cross-Channel operators on the Dover-Calais route.

American Express set for cards clash American Express announced its intention to issue charge and credit cards through banks in the US, a move which will bring to a head a long-simmering international dispute with another leading payments brand, Visa. Page 20

UK power group expected to reveal offer Midlands Electricity, the UK regional electricity company, is expected to announce within the next few days that it has received a formal takeover offer from a US utility. Page 21

Seven Seas sale nets £150m for Hanson Hanson, the UK industrial conglomerate which is planning a four-way demerger, announced the £150m (\$226.5m) sale of Seven Seas, its UK vitamin supplement business, to E. Merck of Germany.

Alcan head upbeat on prospects for year The aluminium industry can expect 1996 to be a mirror image of 1995, which "came in like a lion and went out like a lamb". This year started with weaker demand and lower prices but should finish strongly, according to Mr Jacques Bougie, president of Alcan of Canada, the world's second largest aluminium group. Page 23

20 Kwik Save

g L'Oréal

1, 14 Merck

4 Lucas Industries

18 Nagarjuna Fertiliser 15 National Power 21 Nediloyd 21 Nestié 4 News Corp

North Sea Ferries

PPL Therapeutics

Philippine Nat Bank PowerGen

Pratt and Whitney

Severn Trent Wate

RJ Reynolds

Rolls-Royce

Thai Airways

Transoce Unilever

Von Roll

21 Westinghouse 9 Wheaton

Yorkshire Water

FT-SE Actuartes Indices

Valmet

Sandvik

P&O

17 Macquarie Ba 20 Matsushita

#### Companies in this issue

3M
AGF .
Airbus
Alphatec Electronics
Alusuisse-Lonza
American Express
Ashley (Laura)
~

Bank of Rajasthan Banque Indosuez

Body Shop Bodycote Boeing CESC CRH CS First Boston

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Chief price changes yesterday

### 930 + 20 325.9 + 11.4 513 + 19 2.25 - 0.12 2.125 \_ 0.12 3.975 0.27 BANGKOK (Bairi) Rises Alyance Pairi 64.0 Brik Aputhya IFCT Fia Sec Falls Agian Sea Fd 1.0 0.55 52.0 - 5.0 89.5 - 9.5 18.25 - 1.75

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# Sabena may shed up to 1,700 jobs

Employees of Sabena, the Belgian airline 49.5 per cent owned by Swissair, have been told they could face the loss of up to 1,700 jobs or a 15 per cent wage cut as part of management plans to reduce costs by BFr4.7bn (\$150m)

Mr Paul Reutlinger, the former Swissair marketing director who was appointed Sabena's chief executive in February, told a workers' council meeting this week that he aimed to return the airline to profit within two years.

and 8 per cent by 2000.

executive, Mr Pierre Godfroid, tried to impose cost cuts including a three-year wage freeze, a 5 per cent increase in working hours and more flexible working

Mr Reutlinger said his restruct-uring plan would cut annual costs by BFr4.7hn by 1998, and BFr6.7bn by 2000. Another prior-

58 per cent.
Management expected to to

"There is no use keeping on

Union representatives reacted angrily to Mr Reutlinger's pro-posals. "It is shameful to talk of new sacrifices from Sabena personnel, when the new manage-ment has still done nothing to put an end to the war declared against workers by Mr Godfroid," said Mr Denis De Meulemeester, of the FGTB socialist union. He said Sabena staff had made sacrifices, in terms of both pay cuts, and greater flexibility. The union

By David Wighton, Patrick

Harverson and Simon Holberton

The UK government yesterday

delivered another shock to

Britain's electricity industry and

the City of London when it sig-

nalled it would block bids for

National Power and PowerGen

until there was increased compe-

tition in generation in England

and Wales.
The department of trade and

industry said it would retain its

"golden" shares in the two com-

panies, which prevent any single

investor owning a stake of more

Although there had been hints

that the government would con-

sider using its powers to block

City of London and sent share

National Power, which has

received a bid approach from Southern Company of the US, fell

32p to 527p, while PowerGen

There was widespread baffle-

ment at what was seen as another arbitrary lurch in the UK

government's approach to the

electricity industry in particular

If the government were to

block a bid with its golden share

and competition policy in gen-

than 15 per cent.

prices tumbling.

dropped 12p to 536p.

for generators

with 'golden share'

November, was a "precondition" to further discussions.

Mr Reutlinger warned that competition in European air travel would continue to increase, especially after liberalisation of the market in 1997.

Sabena was hampered in its ability to cope with such change by falling revenues per passen-ger, insufficient load factors, excessively high costs, a fleet that was too diverse, and a poorly-developed long-haul network,

for foreigners investing in the

lowed the announcement by Southern Company, the US util-

ity, that it would be interested in

The City of London struggled to interpret the DTI's highly

ambiguous statement, but it is

understood the government

wants a period of stability for the

whole electricity market follow-ing the wave of bids over the past

It is unclear whether the gov-

ernment would look to block fur-

ther bids for any of the regional

electricity companies (recs)

where its golden shares have

already lapsed.

It is believed that a US utility

is lining up a bid for Midlands

Electricity, the rec that was the

subject of an agreed offer by

PowerGen which was blocked by

The PowerGen bid and an offer

by National Power for Southern

Electric, another rec, were

blocked last week by Mr Ian

Lang, the trade and industry sec-retary, against the recommenda-

tion of the Monopolies and Merg-

Mr Lang concluded that com-

bining the two generators with

large electricity distributors

Lex, Page 14; US utilities line up,

the government.

ers Commission.

taking over National Power.

The government's move fol-

UK," said one analyst.

#### By David Buchan and David Owen in Paris Crédit Agricole, the French mutual bank, is to pay Compag-nie de Suez FFr6.3hn (\$1.2hn) in cash to buy an initial 51 per cent stake in Banque Indosuez with options to buy the rest by 2000.

### Crédit Agricole, which has a relatively minor foreign presence despite being the largest French bank, said the deal would give it a new international dimension. UK to block bids For its part, the Suez group said

the agreement, which values Indosuez at a total of FFr11.85bn, would more than wipe out its current debt, leaving it spare cash to develop its other financial and industrial activities. Under the terms of the deal,

Crédit Agricole will take over 51 per cent of Indosnez this summer, and from July 1997 will get an option to buy a further 29 per cent at the same price. Suez will keep 20 per cent of Indosuez until 2000 when it has the option to sell out completely to Crédit Agricole.

Mr Gérard Mestrallet, Suez chairman, said the sale was amply justified by Crédit Agricole's offer, which was above the present valuation of Indosuez's net assets at FFr10.8bn.

He said that since taking over the Suez group last summer he had tried hard to give a restructured Indosuez a future within the group. The increasingly gloomy view taken by international rating agencies of French banks had made this harder, with Indosuez facing higher costs of raising money on the interbank market.

In March, Indosuez reported a return to overall profitability in spite of a decline in operating income from FFr2.81bn to FFr2.13bn.

Crédit Agricole, which is widely called "the green bank" because of its agricultural roots, has a reputation for conservative lending policies. It has been less exposed to some of the excesses suffered in recent years by some of its banking rivals. Consewould be against the public quently, it is one of the few interest given the inadequate French banks with the money to make acquisitions.

The bank reported net income in 1995 of FFr6.7bn. Since open ing its first foreign office in Chicago 17 years ago, it has expan-ded steadily abroad, often by alliances rather than acquisitions. It owns about 80 per cent of Banco Ambrosiano Veneto, one of Italy's largest banks, and recently bought a stake in Banco Bisel of Argentina.

### He had set a return on invest-ment target of 4 per cent for 1998, load factor from 51.4 per cent to ger told workers. "Our fate is in drawn by the management last ger told workers. "Our fate is in drawn by the management last our own hands." drawn by the management last November, was a "precondition"

Europe

mixed

sends out

messages

weden's SKF, the world's

leading supplier of roller bearings, gave Europe-watchers reason to reflect when

The company announced that

weaker European demand had

triggered a 10 per cent fall in profits in the first quarter of this

vear and warned it saw little sign

From some perspectives, com-

ments like those of SKF are

hardly surprising, given the slow-

down in growth in European countries this year.

However, SKF's gloomy view

Although the recent spate of

European company results have

painted a patchy picture of corpo-

rate performance. Europe's stock

markets have been improving:

since the start of the year, the

FT/S&P world index for Euro-

pean stock markets has risen

This has been partly triggered by falling interest rates. Two

weeks ago the Bundesbank cut

its discount and Lombard rates

half a point to 2.5 per cent and 4.5

value have also helped.

Rising liquidity, and hopes that

However, another factor has

been a growing conviction that

conditions in Europe will improve later this year.

As Mr Richard Davidson, Euro-

pean equity strategist at Morgan

Stanley, says: "We have strong

foundations for economic recov-

ery in the second half of the year

and that is being built into stock

Set against recent data, this

optimism seems odd. For after

under estimating the pace of

growth in Europe in 1994, most

economists have been wrong-

footed by its slowdown since the

In Germany, government eco-nomic advisers this week slashed their projections for 1996 growth

to 0.5 per cent from their 2.5 per

cent forecast six months ago. The

reduction comes amid stagnation

France has also recently

notched up two very weak quar-

ters of growth, although the pace

of industrial decline has eased

recently. Meanwhile, the slow-

down has spread to the "soft-

larly striking given their star-

tling export performances in the

past two years, helped by their

These macro-economic figures

have darkened the business

currency weakness.

in the German economy.

market valuations."

middle of last year.

about 10 per cent.

appears to offer a stark contrast

to that of European investors.

of an upturn in Europe soon.

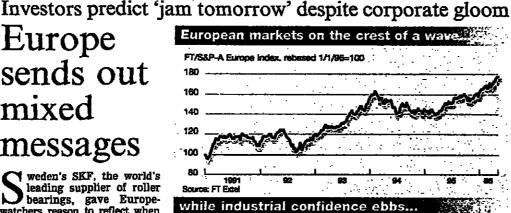
it unveiled its results last week.

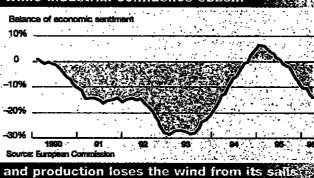
Sabena made losses of BFr1.2bn in 1994 and BFr530m in 1995, and was hit by strikes late last year after the previous chief

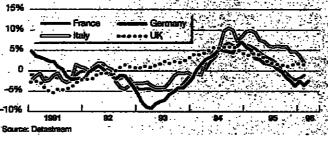
find 40-60 per cent of the cost savings through a review of

operations, but the rest would have to be achieved out of wage and social costs. In the worst burden fell on the workforce, Mr Reutlinger warned that would mean either cutting the 9,500strong staff by 1,700, or a 15 per cent pay cut.

circling around the problems, we







reform in European corporate cantly dented investor optimism. culture will increase shareholder For with most macro-economic The recent rise in the data several months out of date, most economists remain convinced the economic climate should recover during the summer and autumn.

The optimism rests on three factors. The first is a belief that the slowdown is largely due to destocking. For just as the unbeat 1994 left economists overestimating growth last year, companies seem to have overestimated demand last year. Consequently, when demand slowed in 1995, companies were left with unsold stocks. Over the winter this apparently led them to slash orders. The widespread hope is that once this stock "bubble" has

been shifted, orders will pick up. difficult, as economic LVA data on stocks are notoriously poor. Surveys show many companies still reporting excess stocks, with levels in Ger-

many apparently rising.
Nevertheless, optimists can take comfort from a few hints of change. Although pulp and paper companies, for example, were currency" countries, such as Italy, Spain, the UK and Sweden - a shift which has been particubadly hit by a stock overhang during the winter, prices have

recently stopped falling. The chemical sector may also be through the worst: European production slumped at the end of last year after heavy stockpiling last summer, but some sectors have recently reported a small

mood: the European Commission's monthly survey of 23,000 rise in demand. The second reason for opticompanies showed business conmism is a hope that even if comfidence continued to fall in panies remain badly overstocked, their pain should be alle-

However, they have not signifi- viated later this year by a The recent rise in the dollar

against the D-Mark, for example, has raised hopes of an improve ment in European exports, partic-ularly if growth in the US and Japan picks up. The weak level of domestic investment in recent years has left some economists predicting a considerable "catch-up" in domestic demand for capital goods. There are even hopes that con-

sumer spending will gradually improve. The growth may not be dramatic: unemployment is still rising in countries such as Germany and populations are being squeezed by fiscal tightening in the run-up to monetary union. But spending has nicked up in France and the UK, while the money supply - a key indicator of activity - has been rising across the Continent.

The third reason for optimism is the stance of the European monetary authorities. For with monetary conditions in Europe now looser than at any point for 25 years, most economists remain convinced the European central banks are prepared to act to prevent a long downturn.

Some companies such as SKF clearly remain unconvinced by this reasoning. And market analysts remain choosy about which companies to back.

However, these warnings have not yet been enough to persuade investors to abandon their "iam tomorrow" theories — even if many will be poring over every economic signal from Europe this

Gillian Tett

#### it would be the first time this power has been used. competition in the generation One PowerGen executive said: "This is a game that doesn't have This was seen as leaving any rules; you get the feeling that they are making it up as National Power vulnerable to a bid. though some observers they go along." argued that Southern Company could face similar regulatory Some analysts suggested the problems because it already owns South Western Electricity, one of

the smaller recs.

move could also affect international investors' attitude to the forthcoming privatisations of Railtrack and British Energy. 'It has increased the risk premium

Smith Self Drive Group Limited

has been acquired by

G E Capital Corporation Limited



NM Rothschild & Sons Limited

and

DIBB LUPTON BROOMHEAD

> advised the vendors April 1996

### Nestlé result outshines Unilever

By Roderick Oram, Consumer Industries Editor

Nestlé outshone Unilever yesterday as the two leading European consumer goods makers unveiled stronger than expec-

ted first-quarter results. The Swiss group, the world's largest food processor, reported a 4 per cent rise in sales to SFr13.5bn (\$11.2bn). Excluding adverse currency factors, sales rose 8 per cent by value and 5 per cent by volume excluding

acquisitions. They accelerated as the quarter progressed, it said. A rebound in instant coffee sales, as raw bean prices fell back from last year's spike, and a strong performance from other higher margin products, such as mineral waters, were behind the rise, analysts said. Nestlé did nof report profits yesterday or elabo-

mature products such as margarine, detergents and leaf tea.

Excluding special factors, sales volumes in Europe and North America fell by about half a percentage point, analysts estimated, leaving emerging markets to supply the growth. Ice cream, one of the group's key high-margin, fast growing prod-

Merrill Lynch in London.

down £1m. But the latest figure included a £15m charge on its beef products in the UK, because of BSE, and some minor restructuring costs so the underlying rise was about 6 per cent.

"The omens are there for European margins to continue to recover" but the group's lack of sales growth continued to concern investors, an analyst said.

tribution from North America to £102m. Much of that gain came from a rebound in tea profits. Lex. Page 14; Results, Page 22;

rate on its performance. Unilever's volume growth was only 2.3 per cent worldwide, reflecting its heavy weighting of

ucts, makes its biggest contribu-tion to profits during the sum-

Unilever almost every time," said Mr Tim Potter, analyst with But the Anglo-Dutch group

scored on profits thanks to heavy restructuring programmes over recent years. European operating profits were £258m,

Unilever's group pre-tax profits for the quarter were £513m at current exchange rates, up 12 per cent. Sales rose 7 per cent to £7.69bn. The results were at the higher end of analysis forecasts. Most of the profits growth came from a doubling of the con-

NEWS DIGEST

Battle for Tampella

takes fresh turn

The battle for control of Tampella, the Finnish engineering

Finnish engineering company, bought a 14 per cent stake for

FM185m (\$38m). Raums signalled it was willing to work with

Sandvik, the Swedish tools and speciality steels group which

group, took a new turn yesterday when Rauma, another

last month bought a 26 per cent stake in Tampella from

# Nestlé predicts return to profits growth this year

Consumer Industries Editor

Nestlé, the world's largest food processor, forecast yesterday a return to profit growth this year after 1995's sethack from adverse exchange rates and raw material price rises, particularly for coffee.

"For the current year, we expect sales growth to resume as well as a good increase in Nestle's largest single source

our results." Mr Helmut of profits. The group trading because of Mexico's economic cream, notably Conelsa in Maucher, chairman and chief margin slipped last year from crisis, to give an overall Spain, some companies owned executive wrote in the annual report released yesterday.

Pre-tax profits fell from SFr5.07bn to SFr4.49bn (\$3.59bn). Analyst are forecasting they will rebound to about SFr5.5bn this year. An important factor will be restored margins and volumes from soluble coffee, which remains 9.9 to 9.7 per cent, reflecting sharply higher coffee bean prices, which peaked at the start of the year. Despite this pressure, the European margin improved from 8 to 8.4 per cent due to a cut in restructuring

costs. The trading margin in North America was stable but it fell in South America, mainly

By David Owen in Paris

French business.

interest.

sauces, rose sharply yesterday to FFr800 - a gain of FFr19, or

2.4 per cent - although analysts attributed this more to

the strong results reported by other food groups than to Mr

The shares had dropped

sharply following Mr Ribond's

appointment as vice-chairman

and chief operating officer in

August 1994, although this

may have been due at least in

part to the dip in first-half prof-

One bonus share for every ten held

GROWTH IN LOREAL'S CONSOLIDATED RESULTS

• Dividend excluding tax credit:

Riboud's appointment.

decline of 0.6 of a percentage point to 10.5 per cent.

Mr Maucher said Nestlé had achieved its strategic goals in relatively new product areas such as mineral water and ice cream. Its spending on acquisitions fell to SFT1.62bn last year from SFr2.22bn a year earlier.

The most important purchases last year were in ice

Dolce in Egypt and Campina in the Netherlands. Despite the purchases. Nestlé remains a distant second to Unilever, the world's largest ice cream company, analysts said.

Overall, group capital spending last year edged ahead to SFr3.06bn from SFr3.03bn equal to 5.4 per cent of sales, earlier. Capital spending increased in Europe to increase capacity in breakfast cereals and mineral waters. The group continued to invest in eastern Europe but spending fell in north and south America.

Heavy restructuring and rationalisation over recent years were bearing fruit, Mr Maucher said.

Since his emergence as num-

Shortly after Franck was

Danone said yesterday its board had decided Mr Riboud

was the best man for the job

His appointment was "not

Mr Antoine Riboud, who

became chairman and chief

executive of BSN (Danone's

former name) exactly 30 years

ago, came to prominence in the late 1960s when the company

launched an abortive bid for

because he is called Riboud".

### The Rauma move appeared to place a further obstacle in the

Kvaerner of Norway.

path of Svedala, a Swedish mining and construction engineering equipment maker which launched a SKrL83bn bid for Tampella shortly before the Sandvik purchase. Rauma and Tampella said they had agreed to co-operate on marketing and distribution for Tamrock, Tampella's rock drilling unit which is the chief focus of interest for both Svedala and Sandvik.

Sandvik said it was ready to take up to a 40 per cent stake in Tampella, but was not interested in a full bid, which it is not forced to make under local takeover rules.

Hugh Carnegy, Stockholm

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#### Transocean close to merger

Transocean, the Norwegian shipping group, said yesterday it was in the final stages of talks on a possible merger and asked

for its shares to be suspended.

Last week it said it had received a merger proposal from Sonat Offshore Drilling of Houston, and executives said talks had also taken place with other potential partners. Sonat Offshore Drilling offered 0.4004 of its shares and \$5.34 in cash per Transocean share. At last week's exchange rate, brokers valued the offer at about NKr180 a share. AFX News, Oslo

#### LVMH sales flat in first term

LVMH Moet Hennessy Louis Vuitton said first-quarter sales were FFr6.46bn (\$1.25bn), a rise of 0.06 per cent. At constant exchange rates, the rise was 4 per cent.

#### Valmet takes legal case charge

Valmet, the Finnish paper making machine manufacturer, said it would take a FM110m (\$22.6m) extraordinary charge in its results for the four months to April, to supplement the FM80m set aside in 1989 in connection with the legal proceedings between Valmet and the bankrupt Waertsilae Marine Industries.

The group said the decision to increase the charge was made with consideration to the uncertainty and costs related to the drawn out legal proceedings, as well as to the settlement

AFX News, Helsinki

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### France to offer 57% AGF stake

By Antonia Sharpe

The French government is to test the appetite of interna-tional investors for French privatisations by offering for sale its 56.9 per cent stake in Assurances Générales de France, the insurance group.
The FFT10.8bn (\$2bn) offer-

ing, which is being arranged hy Crédit Commercial de France and Société Générale, is expected to be announced either today or on Monday. CS First Boston and J.P. Morgan are set to be joint lead managers of the international tranche

The difficult sales of Usinor Sacilor, the steel company, and Pechiney, the aluminium packaging company - and the poor share price performance of privatised companies - had severely eroded investor confidence in French privatisation

by the end of last year. In an attempt to restore that confidence, the government changed tactics and sold most of its remaining 5 per cent stake in Total, the oil group,

through its first "bought deal". The smooth execution of the FFr3.1bn transaction, where banks used their own capital to buy the shares from the goveroment before selling them on to investors at a slight discount to the market price plus the resilience of Total's share price afterwards - has gone some way to achieving

In addition, the rise in Pechiney's share price since its privatisation last December has shown investors that it is nossible to make money on French privatisations.

that goal.

However, observers said the government would have to offer the AGF shares at an attractive discount to investors in order not to alienate them once again. AGF shares closed yesterday down FFr1.60 yester-day at FFr139.50.

The government aims to raise about FFr20bn from privatisations this year. Other candidates include GAN. another insurance company, Crédit Local, and possibly



Best men for the job: Antoine (left) and Franck Riboud yesterday

the same time.

its that the group reported at in full-year net profits to FFr2.13bn (\$411m) from In February, Danone FFr3.52bn, following a Saint-Gobain, the French glassreported a 39 per cent decline FFr1.8bn exceptional charge.

Mediaset, the media group controlled by Mr Silvio Berlusconi, and Albacom, British Telecommunications' joint venture with Banca Nazionale del Lavoro, linked up with the intention of competing for a third mobile

for at least three operators on the Italian market. Omnitel is not listed. It is 41 per

telecoms licence in the next two

years. Analysts believe there is room

### proposals of the various parties.

CFF shares find no buyers Shares in Crédit Foncier de France, the troubled French mortgage group, remained suspended yesterday. The shares had previously closed at FFr62.95, but there were no offers at FFr51.25, the lowest they could be priced according to stock

Gehe plans unchanged payout Gehe, the German drugs distributor, said it would ask shareholders to approve an unchanged dividend of DM10 per share at the annual meeting on June 12. New shares, from the capital increase in June last year, would receive a dividend AFX News, Stuttgart

## Omnitel plans L600bn network extension by end of year

By Andrew Hill in Milan

Omnitel Pronto Italia, Italy's second digital mobile phone company, said yesterday it planned to invest L600bn (\$383m) in 1996, extending its network to 60 per cent of the country and 85 per cent of the population by the end of the year.

Omnitel, which launched its full commercial service last December, recorded sales of L46bn last year, L30bn of which came from customers and the sale of telephones. The group reported a net loss of L128bn for 1995. Mr Francesco Caio, Omnitel's chief executive, said the company was on course to break even in 1998 as laid out in its business plan, and that it was aiming for a total of 400,000 sub-

scribers by the end of this year.
Telecom Italia Mobile, the statecontrolled mobile phone operator, and Omnitel are locked in a fierce promotional and legal battle over what is one of Europe's fastest growing mobile

communications markets. TIM already has 600,000 clients for its digital network - with which Omnitel competes - and 3.56m clients for its analogue network, over which TIM has a monopoly.

Mr Calo yesterday declined to update last month's figure of 130,000 Omnitel clients, but he said: "Growth since then has been in line with expectations." The group took "enormons satisfaction" from the fact that more than 35 per cent of new digital

mobile phone customers chose Omnitel.

Last month, TIM, which is planning to invest L1,300bn in 1996, announced a series of new tariffs for its digital network. TIM is also using the Italian courts to check whether Omnitel met the conditions on territorial coverage which obliged TIM to open its network to Omnitel clients this year.

Competition in the Italian mobile phone sector is likely to intensify in the next few years. Earlier this week,

cent owned by Olivetti, the computer payment of DM5 per share. group diversifying into telecoms.

#### **BOSTON ARGENTINE INVESTMENT FUND, SICAV**

Société d'investissement à Capital Variable

**NOTICE OF MEETING** 

Since no quarum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON ARGENTINE INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 12.00 a.m. local time at the registered office with the following agenda:

**AGENDA** 

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL PUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital with registared office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing:

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, Lsubject to the approved of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Editaordinary Shareholders' Meeting;

(I) to state the accomplishment of the formalities prescribed by article 257 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Memorial, Requell Spécial des Sociétés et Associations; (III) to accept the Issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT, in exchange (or the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each can class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and flabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Cass B share of BOSTON INTERNATIONAL FUND 1 - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV; BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S.

GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV; BOSTON INTERNATIONAL FUND 1 - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and Babilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liebilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION fund, SICAV; for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL PUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME fund, SICAV;

There will be no quarum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are emitted to vote or give proxies. Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

the time last annual financial reports with management reports of BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

- the reports of the Board of Directors of BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

PAL 41 michiatre

agents, Cosmair Inc. U.S.A., and Cosmair Canada Inc., Lorsa Fagel (Switzerland) and 49 % of Procasa (Spain) over the full year. In addition, new subsidiaries were set up in Asia. L'ORÉAL's consolidated sales stood at FF 53,371 million, posting growth of 12.1 % on 1994's published

FF 13.30, up 9 %

Profit before taxation, employee profit-sharing

L'ORÉAL's structure grew in

1995, primarily as a result of the

consolidation of the North American

Net profit before capital gains and losses, after minority interests

(in FF millions)

and capital gains and losses

figures. Excluding the impact of exchange rates, consolidated sales would have increased 16 %. On a comparable basis, i.e. using an identical structure and exchange rates. growth was 6,4 %.

Profit before taxation and employee shareholding rose by 10 % to FF 5.886 million, compared with FF 5,352 million in 1994. It is thus the eleventh consecutive year that L'ORÉAL has recorded "double digit" growth in its profits. As a result of the increase in corporate taxation and in the portion paid to minority

interests, net profit before capital gains and losses and after minority interests stood at FF 3.381 million. up 8.3 %. Earnings per share and investment certificate increased by 8.3 % to FF 55.01 compared with FF 50.78 in 1994.

53,371 MF

5.8% MF

3,381 MF

in % compared with 1994

+ 12.1 %

+10 %

+ 83%

L'ORÉAL'S Board of Directors has decided to allot one bonus share for every ten shares already held. These shares will be cum-dividend as of I January 1996, and will be allocated from 1 July 1996. At the Annual General Meeting to be held on Thursday 23 May 1996, the Board of Directors will propose a dividend of FF 13.30 excluding tax credit, with a total dividend value of FF 19.95, an increase of 9 %.

Mr. Lindsay OWEN-JONES. Chairman and Chief Executive of L'ORÉAL, met with financial analysts, international investors and specialist journalists on 17 April 1996 to present and comment on all of

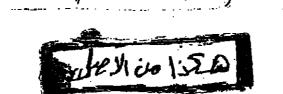


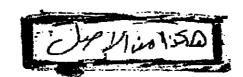
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ANTONIO POR ANTONI

turn

Alusuisse-Lonza to buy Wheaton of US for \$400m By Christopher Brown-Humes Alusuisse-Lonza, the Swiss aluminium, packaging and chemicals group, is set to become the world's biggest supplier of packaging to the pharmaceutical industry after agreeing yesterday to buy Wheaton of the US for more than \$400m. The move continues the rapid

expansion of Alusuisse's pharmaceuti-cal packaging activities since its pur-

chase of Canada-based Lawson Mad-son in 1994. maceuticals packaging activities, which are based on folding carton board and so-called "clean-room"

Alusuisse said the acquisition would more than double its share of the global pharmaceuticals packaging market – from 3 per cent to about 8.5 per cent - while creating valuable synergies with existing operations. It would also broaden the group's product range because of the privately-owned Wheaton's strong position in glass and plastics packaging. These would complement Alusuisse's phar-

products, such as blister packs. A substantial part of the group's chemicals operations is pharmaceuticals-linked. Mr Theodor Tschopp, Alusuisse chief executive, said the acquisition represented "a significant step in our long-term strategy to expand our packaging activities in the pharma-ceutical and personal care markets".

He said the purchase, to be funded

from Alusuisse's cash and credit lines, would be earnings neutral in the first year, but would add to earnings thereafter. The purchase price represents the total consideration for Wheaton, including an undisclosed

**COMPANIES AND FINANCE:** EUROPE

The group has announced several smaller acquisitions in pharmaceuticals packaging, including the still-to-be-finalised purchase of Mehane Pack-aging, a leading folding carton sup-plier to the US pharmaceutical indus-

try, for \$93m. Including Wheaton, pharmaceuticals packaging will now contribute about SFr700m (\$560m) of Alusuisse's annual packaging turn-over of SFr3.5bn. The group also has food, cosmetics and tobacco packag-

ing activities. Wheaton, based in Millville, New Jersey, employs nearly 6,000 people at more than 40 sites in the US. France. Mexico, Puerto Rico, Brazil and China. The group had 1995 turnover

#### **Escom** cuts 120 jobs as production ends at HO

By Michael Lindemann in Bonn

Escom, the troubled German computer maker and retailer, yesterday said it would stop production at its German headquarters in Heppenheim – a further step in its efforts to restructure following net losses last year of DM125m (\$81.5m).

The company said it would use other production sites in the Netherlands and the Czech Republic to assemble computers, and would also use outside suppliers to survive in a business where the prices for components such as processors were extremely volatile.

Closing the site in Heppen-heim, which will involve the loss of about 120 jobs, is a further setback for the German computer group, which said yesterday that it would now concentrate on its retail activi-

ties, the core of its business. Last mouth the company called back Mr Helmut Jost, a former management board member, to take over as chief executive.

As a first step, Mr Jost sold Amiga Technologies, an ill-fated subsidiary which was developing set-top boxes for interactive television, and was one of a number of businesses into which Mr Manfred Schmitt, the founder and former chief executive, took the group. Mr Schmitt still holds a 🤏 per cent stake in the

zinpany. Escom could not say how much it would save by closing production in Heppenheim, adding only that it was working on a "comprehensive restructuring programme".

withdraw from a number of other activities.

### **Dutch chemicals group** falls 40% in first period

DSM, the Dutch chemicals group, saw its first-quarter net profit slump to Fl 205m (\$119.5m) from the Fl 356m during the same period a year earlier. The group nevertheless reiterated an earlier forecast that 1996 would be "a good

year" overall.

DSM said the decline in the year-on-year net figure was caused by lower margins for hydrocarbons, polymers and acrylonitrile, which better earnings in fertilisers, caprolactam, melamine and resins could not offset.

The company stressed that the earnings trend had since been reversed.

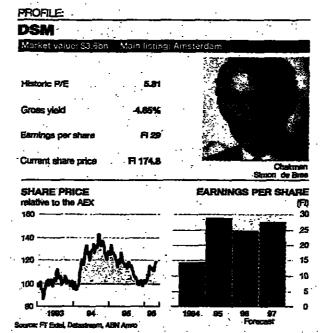
Fi61m up on the fourth quarter of last year, and there has been an upturn in the previously weak market for polymers.

DSM said a further improvement in polymer prices was expected in the second quarter, reflecting a healthier balance between supply and demand. The markets for its other main products would remain roughly unchanged.

However, DSM said it had been forced to extend the scheduled six-week maintenance shutdown of a steam cracker by several weeks. The extension, which began in March, would depress secondquarter results.

turnover of Fl 2.6bn for the first quarter, which represents a decrease on 4 per cent on the F12.7bn achieved a year ear-lier. This was caused by a 6 per cent drop in average sales prices which higher volumes. especially in polyethylene, cap rolactam, melamine and fine

chemicals, only partially offset. The group said its operating result declined from the Fl 502m achieved in the yearearlier period to Fl 294m. Canital expenditures increased from Fi 96m to Fi 540m, mainly as a result of DSM's acquisition of Chemie Linz, a fine chemicals concern in Austria. and Nitriflex, an elastomers operation in Brazil.



### North Sea Ferries seeks closer ties with P&O

By David Brown in Amsterdam and Geoff Dyer in London

North Sea Perries, the joint venture between the UK's P&O and Nedlloyd of the Netherlands, is seeking to intensify its co-operation with its UK part-owner in response to growing competition from cross-channel operators on the Dover-Calais route.

Mr Peter van den Brandhof, North Sea Ferries' managing director, said one option might involve a sale by Nedlloyd of its 50 per cent share in the company to P&O - given that competition between the two owners' road transport operations might otherwise block the achievement of full synergies. However, he added that this was only one of sev-

eral possibilities. Nedlloyd yesterday conholding was one of several options under review.

The Rotterdam-based transport group, which has no ferry operations of its own, has been under severe competitive pressure. It recently sold its Neddrill offshore drilling subsidiary to Noble Drilling Corporation in a \$300m cash deal that formed part of its ongoing drive to concentrate

It is understood Nedlloyd has discussed the sale of its stake with P&O, but that no detailed talks have taken place. P&O refused to comment on its relationship with Nedlloyd. Mr van den Brandhof said

on core activities.

NSF and P&O had discussed plans to co-operate on the design of information systems and the joint purchasing of fuel, foodstocks and duty free NSF, a 30 year-old joint ven-

ture, sails 10 ships and operger/freight service between Hull in the UK and Europort sengers and 350,000 freight units each year.

P&O is soon to approach the UK government with a pro-

and Zeebrugge in the Benelux. posal that it be allowed to open It also operates freight services inking the Benelux with Tees on the cross-channel ferry marport. Overall, it carries 1m pas- ket in light of the fierce competition prompted by Eurotunnel. NSF has responded to the Eurotunnel threat by widening

inclusive fare concept, combining passage with meals, has been complemented by a modular approach involving pas-sage alone. The company says was able to increase passengers carried by 13 per cent in its offerings. Its traditional allthe first quarter as a result.

#### **NEWS DIGEST**

### Degussa up despite decline in sales

Degussa, the German metals and chemicals group, said pre-tax profit rose 2 per cent, from DM183m to DM186m (\$121m), in the first six months to March. The increase in earnings came despite a 5 per cent decline in sales, from DM7.3bn to DM6.9bn Without including trade in precious metals, sales were down? per cent, the company said, although it did not provide details. For the full year. Degussa said it expected a good result. Pre-tax profit in the first six months was boosted by pleasing progress from the group's foreign units. It cited North
America and Europe as particularly positive, offsetting the
effect of the weak German market.
At its domestic parent company, pre-tax profit fell 7 per
cent, from DM72m to DM67m. Sales from domestic activities

fell 8 per cent to DM1.7bn, while sales from foreign activities were 5 per cent lower at DM5.2bn.

At its chemicals division, sales fell 4 per cent to DM2.5bn. Sales from the metals division fell 8 per cent to DM3.3bn, while sales at the precious metals trading division were unchanged at DM1.8bn. The pharmaceuticals division posted sales fell 1 per cent to DM1.07bn. AFX News, Frankfur

#### Elan earnings advance 35%

Elan Corporation, the Irish pharmaceuticals company. increased annual net profits 35 per cent from IE41.68m, or E1.17 a share, to I£56.44m (\$87.6m), or I£1.51. Turnover rose from I£118.9m to I£141.7m. Elan specialises in improving the way drugs are delivered by, for example, making slow relese versions of popular medicines. Fourth-quarter product sales, including sales from contract manufacturing activities and products the company markets directly, rose 82 per cent to

Royalties and fees in the fourth quarter increased 17 per cent, from IC12.7m to IC14.8m. The company said it expected its planned merger with Athena Neurosciences, the US biotechnology company, to be completed by June 30. Elan announced the merger in March. Under the terms of the agreement, Athena will become a wholly owned unit of Klan.

#### **Von Roll in armaments buy**

Von Roll, the Swiss engineering group, will acquire a majority stake in Schweizerische Unternehmung für Waffensysteme, an armaments company owned by the defence ministry. The government has approved the deal, which will result in the creation, planned for the end of 1996, of a joint venture called Von Roll Betec.

The joint venture will result in the loss of 60 jobs and is expected to post SFr80m (\$64m) a year in sales, Von Roll said, without disclosing financial details of the deal.

#### Daewoo Telecom Ltd.

Notice of Bondholders' Additional Option to Redeem Bonds on 18th June, 1998

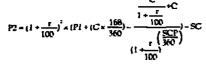
Right to Revoke Notices of Redemption

To the Holders of the Company's U.S. \$50,000,000

3½ per cent. Convertible Bonds due 2006 (Redeemable at the option of the Bondholders in 1996)

NOTICE IS HEREBY CIVEN that Disease Telecom Ltd. (the "Company") has, parsuant to Condition 12(b) of the Bonds and with the agreement of Bankers Trustee Company Luntred, the Trustee for the Bondsholders (the "Trustee"), amended the Terms and Conditions of the Bonds by a Supplemental Trust Deed deated 26th April, 1996 and entered into by the Company and the Trustee. The Company and the Trustee have amended the Terms and Conditions of the Bonds to (1) provide for an additional put option exercisable ion 18th June, 1998 at the price referred to below plus accrued interest (ii) allow those Bondshoders who have exercised their option to redeem Bonds on 18th June, 1996 to revoke such exercise on or prior to 15th June, 1996 to the manner described below and (iii) allow the Company to parchase, at its option, such Bonds that are being requested to be redeemed by the Bondholders pursuant to their option to redeem Bonds.

The price at which the 1998 put option will be exercisable will be calculated by the Con



1998 Put Price (expressed as a percentage of principal amount of the Bonds and rounded off to three decimal places).
1996 Put Price (126.32 per cent. of the principal amount of the Bonds).

Full Coupon.

The number of days from the 1996 Pur Date (18th June, 1996) to the next Coupon date.

Short Coupon to be paid on the 1998 Pur Date (on 18th June, 1998).

(y + s) to be calculated on a 360 days per year base as described in Rule 251.1 and Rule 803.1 of the Rules and Coupon date of the International Securities Marker Association (or any substitute or successor thereof) and expressed

as a percentage.
Spread of 0.85 per cent.
Yield on the Reference 2 year U.S. Dollar LIBOR swap rare. The Yield on the Reference 2 year U.S. Dollar LIBOR awap rate for the purposes of y above, will be deter

The "Yield" will be the offered 2 year U.S. Dollar LIBCR swap rate which appears on the display designated "GOTX" on the Reuten monitor (or such other page or service as may replace it for the purpose of displaying the offered yields on such Reference 2 year U.S. Dollar LIBOR swap rate) for the fust quotation in the Reference 2 year U.S. Dollar LIBOR swap rate occurring on or after 10:00 a.m. (Hong Kong time) on the Determination Date.

rmination Date" means 13th June, 1996. The Company has also agreed that once Daewoo Securities Co., Ltd. has calculated the percentage of principal amount at which Bonds will be addeduced on 18th June, 1996 in accordance with the formula set out in Condition 7(d) of the Bonds, the Company will give utities to Bondholders of such percentage in accordance with Condition 14 of the Bonds as soon as reasonably possible after 13th June, 1996 but in any event, not later than the fifth London business day thereafter.

Bondholders who have exercised their option to have Bonds redeemed on 18th June, 1996 and who wish to revoke such exercise may lo so by delivering written notification to the Paying Agent with whom the relevant notice of redemption and sale was deposited at my time no later than 5:30 p.m. (local time of the cry where the relevant Paying Agent is located) (at the place of the specified office, set out below, of the relevant Paying Agent) on 13th June, 1996.

The Company will be unable to redeem Bonds at its option prior to 1st January, 1999, unless the Closing Price of the Shares for each of 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which notice of such redemption of 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which notice of such redemption is published, is greater than both (1) 140 per cent. of the Conversion Price in effect on such trading day, and (11) the percentage of the Conversion Price in effect on such trading day that is the same as the 1998 Put Price's (as defined in Condition 7(d)) percentage of the

principal amount of the Bonds.

The term "Closing Price" for any trading day means the last selling price or, if no sale takes place on such day, the closing bid or offered price in either case as reported by the Kores Stock Exchange for such day or, if the Shares are not listed or admired to trading on the force Stock Exchange, the average of the closing hid and offered prices of the Shares for such day as furnated by an independent member firm of the Kores Stock Exchange selected from time to time by the Company for the purpose and approved by the Trustee. If there shall occur an event giving rise to a change in the Conversion Price during any such 20 trading day period, appropriate adjustments for the relevant days approved by the Trustee shall be made for the purpose of calculating the Closing Price for such days. The term "trading day" means a day when the Kores Stock Exchange is open for business. If no price as aforessed is reported on the Kores Stock Exchange (or furnished by a member firm as aforessed) for one or more consecutive trading days, such day or days will be divergated in the relevant calculation and will be deemed not to have existed when secretaining such 20 trading day period.

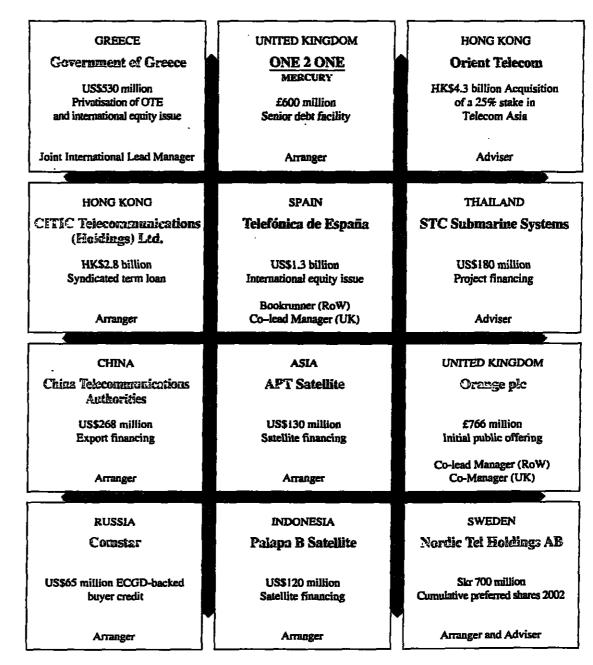
It is for Bondholders to decide whether the 1996 Put Price adequately compensates them for deciding not to exercise their option to require the Company to redeem, or at the option of the Company, purchase all or some only of the Bonds held by them on the 1996

All Bondholders contemplating taking any action to respect of the matters contained in the tother the position and, if in any doubt, should also seek independent financial advice. Copies of the Supplemental Trust Deed which implements the above amendments are available at the specified offices of each of the Paying Agents are our below. Paying Agents Bankers Trust Luxembourg S.A. P.O. Box 807 Bankers Trust Compan 1 Appold Screet Broadgare London BC2A 2HE

Swa6 Bank Corporation I Aeschezvorstadt CH-4002 Bank L-2450 Laxembourg

Daewoo Telecom Ltd.

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Issued by HSBC Investment Bank pic, regulated by SFA.

## PNB on brink of a cultural revolution

The Philippines' second-largest bank sees move to private status as an opportunity, writes Edward Luce

Bank's sarcophagus-like headquarters in Manila symbolises for many the enormity of the task confronting the management of the recently-privatised bank. With only weeks to go before PNB - the country's second-largest bank measured by total assets - is incorporated next month as a private bank by the SEC, the 8,000-strong staff is on the brink of a cultural revolution.
"We intend to convert PNB

from a pyramid, government-style organisation into a flat. horizontal and efficient opera-tion," says Mr Valentin Araneta, vice-president of PNB. "This involves redeploying backroom people to new branches in the provinces and retraining everybody to act like private sector employees with performance-related pay and so forth."

More to the point, PNB will have to "downsize" to a staff of about 6,000 within the next 12 months if it is to compete with its rapidly growing rivals. petitor, has a staff of about 4,000 yet, with more than 300 branches, has a more extensive network of outlets than PNB. With the government retaining 49.2 per cent of PNB (having reduced its stake from 57 per cent last December in a rights issue), the bank will have to be strong if it is to keep its former bosses at arm's length.

an opportunity rather than a problem. Freed from the often arcane regulations of govern-ment ownership, PNB will after June be able to purchase new computer equipment with-out having to wade through red tape for permission from the National Computer Board. Only 168 of the bank's 290 branches are on-line. This is expected to be rectified

quickly.

Nor will the bank's personnel department be constrained by parsimonious civil service renumeration codes to hiring lower-grade staff. The bank, which already has considerable expertise in treasury operations owing to its net-work of 67 branches in Asia and the US, will now be able to compete for the best in the recently liberalised Philippine banking sector.

Most important, however. PNB will no longer have to seek the political green light from Congress when it wishes to increase its capitalisation or issue dividends to shareholders. With an authorised capital stock of only 10bn pesos (US\$382.1m) - less than half Metrobank's - PNB is expected to double its capital stock shortly after its incorporation in June.

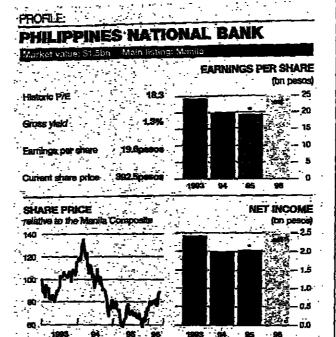
"To a certain extent the PNB is a quite a fossilised institution and has been punished by the stock market over the last Yet most of the bank's staff two years for that reputation,"

he Philippine National view the ownership change as says Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "Now that it is private PNB will be able to reap the upside of its share potential. We expect its share price to double this

> With majority ownership in private hands, PNB will be able to take advantage of freedom of manoeuvre to invest in the banking industry's fastest growing sectors notably consumer lending and credit card services. Under government rules, PNB was formerly unable to grab a slice of the growing auto-loan and housing mortgage markets, owing to the fact that government assets can only be sold through public auction. It would have been politically unwise to conduct public bidding for repossessed cars and homes.

> The bank, which will continue to benefit from its 50 per cent share of the country's overseas labour remittances which last year totalled US\$4.9bn ~ is also planning to divest non-performing assets. These include its former headquarters in Makati (worth around 500m pesos) and its bad loans, which make up 7 per cent of total interest assets. Analysts say that PNB will quickly put last year's anaemic net profits of around 2bn pesos

behind it. "PNB is in a good position to exploit the 30 per cent per annum growth in the Philip-



pine banking sector," says Mr Alex Pomento, chief researcher at ING Barings in Manila. "It has a very low price to book value ratio of 1.5, compared with an average of 3 among the top banks, and it has the assets to invest in the fastest growth

Although freed from formal state control, the bank will continue to profit from its close links with the govern-ment. State pensions, retirement funds and other government resources totalling 30bn pesos will remain on PNB's deposit books.
PNB's investment subsidiary

will also retain a large slice of the municipal lending market, and will benefit from its close institutional relationship with government departments. The bank's investment arm is also muscling in on the private sector with its announcement recently that it will underwrite the initial public offering of Prime East, a housing development company, later this year.

We are not at all daunted by becoming a private bank," Mr Araneta says. "It will be a difficult and quite unsettling process, but most of us would rather lose the stigma of being civil servants.

### S Korean securities firms fall into the red

South Korea's 33 securities firms posted a combined pre-tax net loss of Won590bn (\$758m) in the year to March 31, against a pre-tax profit of Won709.8bn a year ago, the Securities Supervisory Board said yesterday, Reuter reports from Seoul.

A report from the securities watchdog said the sluggish performance was mainly due to big losses on the book values of their shareholdings in line with bearish stock market trends during the period.

Due to the sluggish bourse, brokerage fee income fell sharply by 36.3 per cent to a combined Won1,180bn and earnings from stock transactions by 64.4 per cent to Won419bn from a year earlier,

Firms built up Won146.5bn as provisions to account for losses on the book values of

their stock portfolios. Only 12 firms posted pre-tax net profit during the year. Dongwon Securities, formerly Hanshin Securities, topped the list with Won21.2bn followed by Daewoo Securities with Won16.9bn and Shinyoung Securities with Won10.9bn.
Daishin Securities had the biggest pre-tax net loss of

Won109.8bn, followed by Hyundai Securities with Won86.9bn and LG Securities with Won78.6bn, the report

#### **NEWS DIGEST**

### Macquarie Bank plans July debut

Macquarie Bank, Australia's only substantial investment bank, announced yesterday that it expected to make its stock market debut in July or August this year. Its market capitalisation is likely to be about A\$1bn (US\$789.2m).

The bank confirmed that it did not intend to seek new capital as part of the listing process, pointing out that the size of its current capital base meant it had no need to raise funds. The total capital base at end-September was A\$623m, and the tier one capital adequacy ratio was just over 9 per cent. Macquarie also said no existing shares would be sold, and

that it would be seeking a "compliance" listing from the Australian Stock Exchange. At present, Macquarie Bank has around 800 shareholders made up of about 100 institutions and 700 staff. The largest institutional shareholder is Hill Samuel, of the UK, with a 14.1 per cent stake. The bank has indicated its intention to seek a stock market

listing for some time, and in December, when it released interim figures, it suggested this would take place in the latter half of 1996. But it has always entertained the possibility that some existing shareholders would want sell shares as part of the listing process. Yesterday, Macquarie said that, in the event, shareholders were happy to hold the stock. But it still felt a listing was logical given its size, and that this would provide a liquid market for its shares. The bank's shares currently trade in a limited fashion

between professional investors. At recent prices of approximately A\$6.90, the bank is capitalised at about A\$957m Macquarie said it expected to report its annual profits for 1995-96 on June 3, just ahead of the listing. Last year, it made Nikki Tait, Sydney

#### Fertilisers group ahead

Nagarjuna Fertilisers, the Indian chemicals group, reported net profits up 14.6 per cent to Rs2.21bn (\$63.87m) in the year to March 31. Net sales increased by 4 per cent to Rss. 82bn. Besides marketing urea produced at its own factory at Kakinada in Andhra Pradesh, the company has emerged as a large importer of fertilisers and chemicals.

Although earnings per share rose from Rs5.83 to Rs6.68, Mr K.S. Raju, vice-chairman and managing director, said the dividend should be maintained at Rs1.80 a share to conserve resources. The company said it would be building a 2.3m tonne steel plant and a 1,000MW power complex in Karnataka besides expanding the capacity of the gas-based Kakinada fertiliser factory to meet "the challenge in the event of the decontrol of urea prices".

Kunal Bose, Cale

### CESC shows 28% profits gain

CESC, the utility with exclusive right to produce power for distribution in Calcutta, increased its net profits by 28 per cent to Rs877m (\$25.35m) in the year to March 31, on sales up 21.56 per cent to Rs11.16bn. This reflected benefits of strong growth in demand for power in the company's command area and improved capacity utilisation of power stations.

The company said earnings would have been higher still but for interest costs rising 40.9 per cent, to Rs1.05bn. It has raised its borrowings to finance a new 500 MW coal-fired power plant at Budge Budge. The plant will start generating power later this year. Earnings per share rose to Rs20.20 from Rs12.70. CESC said it had promoted Integrated Coal to undertake the mining of non-coking coal at Sarshatall block, in West

Bengal's Ranigunj coal belt, which has an estimated reserve of 80m tonnes, This will require an investment of Rs3.8bn. The raising of coal at Sarshatali will reduce CESC's dependence on outside sources for coal supply. The company has received shareholder approval to raise

\$80m, plus a maximum oversubscription of \$20m, through a bond issue abroad "for strengthening its power distribution

#### Resources arm for RMB

South Africa's Rand Merchant Bank yesterday announced the launch of a new mineral resources arm to be known as RMB Resources. RMB said in a statement that the new division would combine extensive experience in natural resources with skills in consultancy, corporate finance, investment banking, Reuter, Johannesburg trading and hedging strategies.

## Transformation of an Indian banking traditionalist

fter a somewhat lacklustre early history, A the Bank of Rajasthan (BoR) is now out-stripping its competitors: last year, it saw deposits grow by one-third.

Mr N. M. Chordia, managing director and chief executive, explains: "The Bank of Rajasthan, perhaps the most conservative of all the private sector banks in the country, grew slowly in the first 50 years. Its big break came in September 1993 when the Bangurs, a leading business group with diversified interests, acquired a majority stake and took control of the management." The change of ownership has made BOR a "lot more aggressive in mobilising deposits and in widening the client base", according to Mr Chordia. "In the pre-Bangur times, the bank was happy doing business mostly with the trad-ers and small and medium-sized business promos," he says.

During the year ended March 31 1995, BoR's deposits grew by nearly 33 per cent to Rs20bn. (\$578.87m) and advances were up 48 per cent to cials think it will have achieved a deposit growth rate of 40 per cent. Advances in the current year are set to grow by about 60 per

In both deposits and loans, BOR, has, in the growth that are much higher than the industry

Mr Chordia explains why the bank's advances are growing so fast: "Until a few years ago, our

exposure to a single client had to be less than Rs50m. According to the Indian Banking Regulation Act, a bank cannot lend more than 25 per cent of its net worth [capital plus reserve] to a single client," he says. "In 1994-95, the bank's net worth rose to over Rslbn from Rs445m. As a result, we can now give credit of up to Rs250m to a single client. Our exposure calling to a business group with more than one account is

Re500m. Once the Bangurs, who own more than 60 per cent of the bank's equity, started participating

has its roots in Rajasthan, we are looking at the Marwari enterprises as our niche market," says Mr Chordia.

The BoR attempt to do business with the big groups comes at a time when most Indian banks cannot find enough money for the corporate sector. Therefore, it has not been difficult for BoR to pick up good corporate clients.

It is not only the client base that has changed under the new management. Computerisation has been given priority, and a drive to develop business in regions outside the bank's tradi-

The once conservative private bank is pursuing aggressive policies, writes Kunal Bose

in the management, BOR raised fresh capital by way of a rights issue at a premium and also by things, however, have stayed the same. "When it offering shares to its employees. "Moreover, comes to choosing new clients, we apply the since our profit in 1994-95 rose sharply to provision for reserves," Mr Chordia says. "In the first half of the current year, the bank earned a net profit of Rs389m and the target for the full year is Rs850m."

Armed with a capacity to lend a reasonably last couple of years, been recording rates of big amount to a single client, the bank is now winning the accounts of the Marwaris, a merchant caste. "The Marwaris hailing from Rajasthan have promoted a large number of successful industries all over the country. Since BoR

tional north India focus has started. Some same old conservative yardstick," a BoR spokes-man says. "At 5.5 per cent, we have the lowest non-performing assets in the industry." The insistence that every loan must be

secured by a mortgage of immovable properties, plus a good monitoring system, has helped keep per cent. the level of non-performing assets low.

BoR, which is among the 10 most profitable banks in the country, has earned a 2.35 per cent return on assets against 0.86 per cent by State Bank of India, India's biggest commercial bank. Moreover, its spread (the difference between the

cost of raising funds and the income from lending) of 4.11 per cent is among the best in the industry. The Indian banks in general have a low capital adequacy ratio. This has forced the Reserve Bank of India, the central bank, to stipulate that by 1996 the banks must have a minimum ratio of 8 per cent. BoR already had a ratio of 11.5 per cent by March 31 1995.

To consolidate progress, Mr Chordia wants to see the government create a level playing field for private banks. He says: "Our performance will be better still if we were not required to discharge the obligation of providing credit to the government-defined priority sectors at differential rates of interest. We are discriminated against. The new private banks are exempt from lending to the priority sectors at much lower than the commercial rates of interest." However, BoR's priority sector advances, as a

percentage of total advances during 1994-95. amounted to 22.94 per cent against the statutory requirement of 40 per cent. The government has mittee on financial sector reforms that the share of priority sectors in a bank's total lending should be brought down to 10 per cent from 40

Nevertheless, BoR has continued its expansion drive. It has 287 branches, including 222 in north India. By the end of 1996, it will have opened 66 new branches. It is also undertaking merchant banking operations through a wholiv-owned

### **BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV**

Société d'investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42217

#### NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1986, notice is hereby given to the Shareholders of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before not June 6, 1986 at 2.00 p.m. local time at the registered office with the following agends: **AGENDA** 

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (Iormetly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EOUTY INVESTMENT FUND, SICAV, BOSTON INCESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON II.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxambourg sociétés d'Investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"). (2) the audit report prescribed by article 266 of the Luxembourg law on commercial compenies and prepared by Coopers & Lybrand, 16, rue Eucène Ruspert. L-

Subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV In their respective Extraordinary Shareholders' Meeting:

(1) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(II) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations; (8) to accept the issue of chares of BOSTON INTERNATIONAL FUND I, SICAY in the new companies as follows:

- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION, in exchange for the combibution of all assets and lightenes of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV; BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND 1 - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FLIND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all easters and liabilities of BOSTON INTERNATIONAL INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each canoalled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT In exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class 8 share of BOSTON ARGENTINE INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and Rabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxice should entire at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

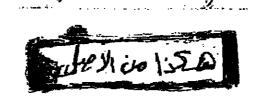
- the Memer Proposal: - the three lest annual linearist reports with management reports of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND,

SICAY, BOSTON STRATEGIC INCOME FUND, SICAY and BOSTON EUROPEAN SOND FUND, SICAY; the reports of the Board of Directors of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON BTRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Propos

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Director

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BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 27278

**NOTICE OF MEETING** 

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 11.30 a.m. local time at the registered office with the following agenda:

Approval of the mergar by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON SUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with ed office at 69, route d'Esch, L-1470 Luxembourg and upon bearing (1) the report of the Soard of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

Proxies should arrive at the registered citics of the Company at least 48 hours belore the meeting.

subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I. SICAV in their respective Extraordinary Shareholders' Meeting: (I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies; (II) to approve and ratify the Merger Proposal published in the Mémorial, Requell Spécial des Sociétés et Associations:

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows: -BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for

d Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV; BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and Habitates of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancalled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled class B share of BOSTON INCOME INVESTMENT FUND, SICAV; - SOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and flabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S.
GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV; - BOSTON INTERNATIONAL FUND 1 - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND 1 - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV:

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote. The Shareholders on record at the date of the meeting are entitled to vote or give process.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the Merger Proposal: - the three last entural financial reports with management reports of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON I.S. GOVERNMENT INCOME FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

The reports of the Board of Directors of Boston Pacific Growth Investment Fund, Sicay, Boston Equity Investment Fund, Sicay, Boston Income Investment Fund, Sicay, Boston International Equity Investment Fund, Sicay, Boston U.S. Government Income Fund, Sicay, Boston Argentine Investment Fund, Sicay, Boston Argentine Investment Fund, Sicay, Boston Global Capital Appreciation Fund, Sicay, Boston Strategic Income Fund, Sicay and Boston European Bond Fund, Sicay on the Merger Proposes; the report of the Independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Director

Amendment of Article 3 sentence 1 to be reworded as follows:

3. Amendment of Article 5 paragraph 3 to be reworded as follows:

5. Amendment of Article 11 to delete the third paragraph.

Amendment of Article 17 paragraph 6 to be read as follows:

11. Amendment of Article 17 paragraph 6 point 4 to add in line:

13. Amendment of Article 17 paragraph 7 to be reworded as follows:

15. Amendment of Article 19 paragraph 1 to be rewarded as follows:

decision to liquidate a Subfund

16. Amendment of Article 23 paragraph 2 and 3 to be reworded as tollows:

17. Amendment of Article 23 to be completed in fine by the following paragraphs:

The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal").

Amendment of Article 17 paragraph 6 point 1) to be completed in fine as lollows:

12. Amendment of Article 17 paragraph 6 to add in fine the following paragraphs:

Amendment of Article 1 to replace the current name by "BOSTON INTERNATIONAL RIND II, SICAY".

6. Amendment of Article 12 paragraph 2 to complete it in line by "except as otherwise agreed upon with the creditors".

7. Amendment of Article 16 paragraph 5 to substitute the reference to "fifteen days" by a reference to "five business days". 8. Amendment of Article 17 paragraph 2 line 11 to delete the reference "in Brazil" and so replace it by "...or is a holiday in Luza

"Money market instruments held in certain Subfunds may be valued on the basis of the last available official quotation".

14. Amendment of Article 18 paragraph 1 to replace the reference to "eight business days" by a reference to "five business days".

**BOSTON BRAZIL INVESTMENT FUND** 

Société d'Investissement à Capital Variable RC Luxembourg B 41963 - 69 route d'Esch - Luxembourg

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV that the SECOND extraordinary shareholders' meeting shall be need before notary, at 69 route of Each, on June 5, 1996 at 3.30 p.m. local time with the following agenda:

"The object of the Company is to place the funds available to it in various securities, money market instruments, deposits, liquid essets and other financial instruments, with the purpose of spreading investment risk and affording its shareholders the results of the menagement of the Compan

"The initial subscribed capital was one million five hundred thousand (1.500.000.-) US Dollars divided into fifty thousand (50.000) fully peld Class B shares of no par value of Boston Brazil Investment Fund - Equity, currently Boston International Fund 8 - Brazil Equity".

Amendment of Article 5 paragraph 7 to start the paragraph with the following sentence "Shares are issued in registered book entry form" and to replace the reference to "four decimal places" by a reference to "three decimal places".

"The value of the assets of the Company is determined for each Class of shares of each Subfund pursuant to the following rules which may be applied to one or several Subfunds, depending on the specific investment policy of the relevant Subfund and subject to the valuation guidelines that the Board of Directors shall determine from time to time".

\*1) Securities listed on an official stock exchange or traded on another organized market or on an organized over-the-counter market may stee be valued on the base of the last known sales price. If the same security is quoted on different markets, the quotation of the main market for this security will be used, if there is no relevant quotation or if the quotations are not representative of the lair value, the waluation will be done in good faith by the Board of Directors or its delegate with a view to establishing the probable sales price for such securities; unlisted securities are valued on the basis of their probable sales price as determined in good faith by the Board of Directors or its delegate.

7) certificates of deposit held in certain Subtunds may be valued at their market value; other liquid assets are valued at their nominal value plus

\*For the assets which are not denominated in the Subfund's Base Currency the conversion shall be done on the basis of the mid-market exchange rate or on the basis of the Median Exchange Rate (as defined in the Prospectus) for such currency on the Valuation Date pursuant to the Board of

"The Company shall bear all fees connected with its establishment as well as the fees to be paid to the investment Advisor, the investment Manager, the Custodian, the Administrative Agent, and the Register and Transfer Agent as well as any less due to any other service provider appointed by the Board of Directors".

"A Subfund may be terminated by resolution of the Board of Directors of the Company if the Net Asset Value of a Subfund is below US\$ 10.000.000. or its equivelent in any other currency or in the event of special circumstances beyond its control, such as political, economic, military entergencies. In such events, the seests of the Subfund will be realized, the liabilities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered shareholders and will be published in the Luxemburgar Wort in Luxemburg and in other newspapers circuisting in jurisdictions where the Company is registered as the Directors may determine. No share shall be redeemed or converted after the date of the detectors to Sentiate a Subfund.

A Subtand may be merged with another Subtand by resolution of the Board of Directors of the Company if the value of its net assets is below US\$ 10,000.000,- or its equivalent to any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in writing to the registered shareholders and will be published in the Luxemburger Wort in Luxemburger Wort in Luxemburger and in other newspapers circulating in jurisdictions in which the Company is registered as the Directors may determine. Each shareholder of the relevant subhand shall be given the possibility, within a period of one month as of the date of the publication or the notice, to request either the repurchase of its ahares, free of any charge, or the exchange of its shares, free of any charge, against shares of any other Subfund not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the exchange of his ahares shall be bound by the decision relating to the merger.

"A Subtund may be contributed to another Luxembourg investment fund by resolution of the Board of Directors of the Company in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing market or other conditions, including conditions that may edversely affect the ability of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the shareholders, that a Subfund should be contributed to another fund, be such events, notice will be given in writing to registered shareholders and will be published in the Losenburger Wort as well as in such other newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of the publication or the notice to request free of any charge, the repurchase of its shares. At the close of such period, the contribution will be binding for all shareholders who did not request a redemption. In the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Subfund is contributed to another Luxembourg investment fund, the valuation of itse Subfund's assets shall be verified by an auditor the shall leave a written report at the time of the contribution.

A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's shareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund.

18. To resolve that the Class B shares of BOSTON BRAZIL INVESTMENT FUND - EQUITY are becoming Class B shares of BOSTON INTERNATIONAL FUND II

**BOSTON EUROPEAN BOND FUND, SICAY** Société d'investissement à Capital Variable Registered office: 69, route of Esch, L-1470 Luxembourg R.C. Luxembourg B 42216

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND I, SICAV is to be understood as a reference to the current BOSTON EUROPEAN BOND FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON EUROPEAN BOND FUND, SICAV, to be held prior to the merger, the transformation of the SICAV into an umbrell structure under the name of BOSTON INTERNATIONAL FUND I, SICAV

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EUROPEAN BOND FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 3.00 p.m. local time at the registered office with the following agenda:

**AGENDA** 

Approval of the merger by absorption of the Company by BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociátés d'investissement à capital variable with registered office at 68, route d'Esch, L-1470 Luxembourg

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represent and voting at the meeting

8) forward contracts are valued at the mid-market exchange rate prevailing on the Valuation Date for the remaining period to maturity of the contracts; such valuation is based upon the world-wide interbank currency markets\*.

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SICAV

Subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and BOSTON STRATEGIC INCOME FUND, SICAV in their respective Extraordinary Shareholders' Meeting; (I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies: (ii) to approve and ratify the Merger Proposal published in the Mémoriel, Recueil Spécial des Sociétés et Associations; (iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

and upon hearing:

-BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV; - SOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV: BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL FUND I - INTERNATIONAL INTERNATIONAL EQUITY INVESTMENT PUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND, SICAV;

BOSTON INTERNATIONAL FUND 1 - ILLS. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND 1 - U.S. GOVERNMENT INCOME FUND, SICAV; BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV; 

and the second

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Claus B share of BOSTON INTERNATIONAL FUND 1 - ARGENTINE INVESTMENT for each cancelled Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV; BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION fund, SICAV; BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME, in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV:

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote. The Shareholders on record at the date of the meeting are entitled to vote or give proxies. Prodes should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- The three lest entrue! Insurcial reports with management reports of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, and BOSTON STRATEGIC INCOME FUND, SICAV,

A THE DESCRIPTION OF THE PROPERTY OF THE PROPE

- the reports of the Board of Directors of BOSTON EUROPEAN BOND FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND and BOSTON STRATEGIC INCOME FUND, SICAV on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

j.,

By order of the Board of Directors

#### **BOSTON EUROPEAN BOND FUND**

Societé d'investissement à Capitel Variable RC Luxembourg B 42.216 - 69 route d'Esch - Luxembourg

#### NOTICE OF MEETING

Since no quorum as required by law was present at the extreordinary shareholders' meeting of April 24, 1998, notice is hereby given to the shareholders of BOSTON EUROPEAN BOND FUND, SIGAV that the SECOND extraordinary shareholders' meeting shall be hald before notary, at 69 route of Esch, on June 6, 1996 at 9.00 a.m. local time with the following agenda:

Transformation of BOSTON EUROPEAN BOND FUND into an umbrelik structure (SICAV & compentiments multiples) to be named BOSTON INTERNATIONAL FUND I, SICAV and subsequent amendments of the articles of incorporation as hereinbelow described.

2. Amendment of Article 1 to replace the current name by "Boston International Fund I, Sicaw". 3. Amendment of Article 5 paragraph 1 to substitute the reference to "the net assets of the Fund" by a reference ot "the net assets of all Subfunds".

4. Amendment of Article 5 paragraph 2 to replace the reference to "ECU" by a reference to "US Dollars".

Amendment of Article 5 paragraph 3 to substitute "will be" by "was". Amendment of Article 5 paragraph 7 to replace the reference to "four decimal places" by a reference to "three decimal places".

7. Amendment of Article 5 to add in fine the following paragraph: "Shares may be of different Subfunds as the Board of Directors shall determine and the proceeds of the issue of shares of each Subfund shall be invested pursuant to Article 3 hereof in transferable securities corresponding to such geographical areas, industrial sectors or monetary zones and to such specific types of equity or debt securities as the Board of Directors shall from time to time determine".

8. Amendment of Article 7 paragraph 5 sentence 1 to be reworded as follows: "Each share of each Class in each Subtured is entitled to one vote regardless of the Net Asset Value of such share within the relevant Class and Subjund".

9. Amendment of Article 7 to add in fine the following personant:

13. Amendment of Article 11 to complete it in fine by the following peragraph:

"Resolutions concerning the interests of the shareholders of the Fund shall be taken in a general meeting and resolutions concerning the particular rights of the shareholders of one specific Subtund shall be taken by that Subtund's General meeting". Amendment of Article 11 paragraph 3 to replace the reference to "non-European OECD countries" by a reference to "North and South America, Asia, Africa, Australia or New Zealand".

Amendment of Article 11 paragraph 4 to be reworded as follows: .

"In accordance with Article 43 of the law of 30 March 1968 relating to undertakings for collective investments, the Fund may invest up to 100% of the not assets of each Subfund in transferable securities issued or Mamber States or by public international bodies of which one or more E.U. member States are members or by the Argentine government on the condition that the respective Subfund's not assets are diversified on a minimum of six separate issues, and each issue may not account for more than 30% of the total not assets of the Subfund". 12. Amendment of Article 11 paragraph 5 line 1 to insert the reference to "more than 5% of the net assets of each Subfund".

"in addition, the board of Directors shall be empowered to create at any time new Subfunds Investing in transferable securities". Amendment of the heading of Article 16 which shall read "Redemption and Conversion of shares".

15. Amendment of Article 16 paragraph 3 line 2 to read: "...Net Asset Value for the relevant Class of the relevant Subfund".

16. Amendment of Article 16 paragraph 5 to substitute the reference to "ECU" by a reference to "the Substand Base Currency". 17, Amendment of Article 16 last paragraph to substitute "the total net assets of the Fund" by "the total net assets of a Subfund".

18. Amendment of Article 16 in fine to add the following paragraph: "Any stareholder may request conversion of all or part of his shares, with a minimum amount of shares which shall be determined by the Soard of Directors from time to time, into shares of any class of the same Subhund or of any other Subhund, in each case at the respective not Asset Value of the shares being cold and the shares being purchased quoted on the day of conversion, by written instructions addressed to the registered office of the Fund or at the office of the person or strained by the Fund as its agent of the conversion of shares. The relevant Not Asset Value for each subhund shall be the Not Asset Value determined on the Valuation Date following the date of receipt of the conversion request or, if such date is a Valuation Date, the Not Asset Value determined on the subsequent Valuation Date. Such conversion shall be free of any charge except that normal costs of administration may be levied".

19. Amendment of Article 17 paragraph 2 and paragraph 3 indent 1-2-3-4, paragraph 6, 8 and 9 to substitute, where appropriate, the reference to "the Fund" by a reference to "Subfund" in paragraph 10. 20. Amendment of Article 17 paragraph 3 line 3 to read:

"...the lesue, redemption and conversion thereof...".

21. Amendment of Article 17 paragraph 5 to be reworded as follows:

"The Net Asset Value of each Class of shares of each Subfund shall be expressed in the currency of the relevant Subfund as a per share figure and shall be determined on any Valuation Date by dividing the value of the sasets of the Subfund corresponding to each Class of shares, being the value of the assets of the Subfund less its liabilities at the time determined by the Board of Directors or its duly authorised designee on the Valuation Date, by the number of shares of the relevant Subfund then outstanding in such Class".

22. Amendment of Article 17 paragraph 6 point 1) to replace the reference to "in non-European OECO countries" by a reference to "in North or South America, Agia, Africa, Australia or New Zealand": 23. Amendment of Article 17 paragraph 7 to substitute the reference to "ECU" by a reference to "the Subfund Base Currency".

24. Amendment of Article 19 paragraph 1 to be reworded as follows:

"The Fund shall bear all fees connected with its establishment as well as the fees to be paid to the investment Manager, the Investment Advisor, the Custodian, the Administrative Agent and the Registrar and Transfer Agent as well as any fees due to any other service provider appointed by the 25. Amendment of Article 19 to complete it in fine by the following paragraphs:

"Any costs incurred by the Fund which are not attributable to a specific Subfund will be charged to all Subfunds in proportion to their net assets. Each Subfund will be charged with all costs and expenses directly attributable to it.

The Fund shall be failed for debts to its creditors on all its assets, regardless of the particular Subfund to which the debts may relate, except as otherwise agreed upon with the creditors.

For the purpose of the relations between the signaholders, each Subfund will be deemed to be a separate entity with, but not limited to, its own contribution, capital gains, losses, charges and expenses".

26. Amendment of Article 20 to delete the last sentence of paragraph 1 and to add a 2nd paragrah worded as follows: "Financial statements for each Subfund shalf be established in the currency in which it is denominated. To establish the balance sheet of the Fund, those different financial statements will be added together after conversion into the currency of the capital of the Fund."

27. Amandment of Article 22 paragraph 1 sentence 2 and 3 to substitute the reference to "ECU" respectively by a reference to "US Dollar (sentence 2) and to the Subfund Base Currency (sentence 3)".

28. Amandment of Article 22 peragraph 1 sentence 2 and paragraph 2 to substitute the reference to "the Fund" by a reference in paragraph 1 sentence 2 to "arry Substand" and in paragraph 2 to "the Substand". 29. Amendment of the heading of Article 23 to be read "Liquidation of the Fund or of a Subfund" and of Article 23 itself to be completed as follows: "A Subjund may be terminated by resolution of the Board of Directors of the Fund if the Net Asset Value of a Subjund is below US\$ 10.000.000.- or its equition in any other currency or in the event of special circumstances beyond the control, such as political, economic, military emergencies. In each control, and the Subjunded to electrolated to extend the subjunded to electrolated to extend to the subjunded to electrolated to

events, the assets of the Subfund will be realized, the flabilities discharged and the net proceeds of realization distributed to shareholders in the proportion to their holding of shares in that Subfund. In such event, notice of the termination of the Subfund will be given in writing to registered shareholders and will be published in the Luxemburger Wort in Luxembourg and in other newspapers circulating in jurisdictions where the Fund is registered as the Directors may determine. No shares shall be redeemed or converted after the date of the declaion to liquidate a Subfund. A Subtand may be merged with another Subfund by resolution of the Board of Directors of the Fund it the value of its net assets is below US\$ 10.000.000.- or its equivalent in any other currency or in the event of special circumstances beyond its control, such as political, economic or military emergencies. In such events, notice of the merger will be given in writing to the registered shareholders and will be published in the Luxemburger Wort in Luxemburger and in other newspapers circulating in jurisdictions in which the Fund is registered as the Directors may determine. Each shareholder of the relevant Subfund shall be given the possibility, within a pension of one neonth as of the date of the publication or the notice, to request either the repurchase of its shares, tree of any charge, or the exchange of its shares, free of any charge, against shares of any other Subfund not concerned by the merger. At the expiry of this one month's period, any shareholder which did not request the repurchase or the exchange of his shares shall be bound by the decision relating to the merger.

A Subfund tray be contributed to another Lummbourg investment fund by resolution of the Board of Directors of the Fund in the event of special circumstances beyond its control such as political, economic or military emergencies or if the Board should conclude, in light of prevailing market or other conditions, including conditions that may adversely affect the shillty of a Subfund to operate in an economically efficient manner, and with due regard to the best interests of the attendeders, that a Subfund should be contributed to another fund. In such events, notice will be given in writing to registered shareholders and will be published in the Lummburger Wort as well as in such other newspapers as determined from time to time by the Board of Directors. Each shareholder of the relevant Subfund shall be given the possibility within a period of one month as of the date of publication or the notice to request, free of any charge, the repurchase of its shares. At the close of such period, the contribution will be binding to all shareholders who did not request a redemption, in the case of a contribution to a mutual fund, however, the contribution will be binding only on shareholders who expressly agreed to the contribution. When a Subfund is contributed to another Lummbourg investment fund, the valuation of the Subfund's assets shall be verified by an sudjitor who shall issue a verifien report at the time of the contribution.

A Subfund may be contributed to a foreign investment fund only when the relevant Subfund's abareholders have unanimously approved the contribution or on the condition that only the shareholders who have approved such contribution are effectively transferred to that foreign fund's. 3D. To resolve that the Class B shares of BOSTON EUROPEAN BOND FUND are becoming Class B shares of BOSTON INTERNATIONAL FUND I - EUROPEAN

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. The shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxies should arrive at the registered office of the Company at least 49 hours before the meeting.

By order of the Board of Directors

#### **BOSTON BRAZIL INVESTMENT FUND, SICAV** Société d'investissement à Capital Variable

Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 41963

Any reference in the present Notice of Meeting to BOSTON INTERNATIONAL FUND II, SICAV is to be understood as a reference to the current BOSTON BRAZIL INVESTMENT FUND, SICAV whose Board of Directors shall submit to the approval of an extraordinary shareholders' meeting of BOSTON BRAZIL INVESTMENT FUND, SICAV, to be held prior to the merger, the change of its name into BOSTON INTERNATIONAL FUND II, SICAV

#### **NOTICE OF MEETING**

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1986, notice is hereby given to the Shareholders of BOSTON BRAZIL INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 5.00 p.m. local time at the registered office with the following agenda:

#### **AGENDA**

Approval of the marger by absorption of the Company by BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV, as Luxembourg societies d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg,

and upon hearing (1) the report of the Board of Directors in relation to the merger proposal (tine "Merger Proposal"),

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

subject to the approval of the Merger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON MULTI-CURRENCY FUND, SICAV in their respective Extraordinary Shareholders' Meeting;

(f) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(II) to approve and ratify the Merger Proposal published in the Mémorial, Recuall Spécial des Sociétés et Associations;

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each cancelless 8 share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV; - BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MULTI-CURRENCY FUND, SICAV:

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is emitted to one vote.

The Shareholders on record at the date of the meeting are emitted to vote or give proxies Proxies should arrive at the registered office of the Company at least 48 hours before the meeting.

The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost);

- the Merger Proposal; the three last annual financial reports with menagement reports of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAV AND BOSTON MILTI-CURRENCY FUND, SICAV:

the reports of the Board of Directors of BOSTON BRAZIL INVESTMENT FUND, SICAV, BOSTON LIQUIDITY MANAGEMENT FUND SICAY AND BOSTON MULTI-CURRENCY FUND, SICAY on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal,

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By order of the Board of Directors

### Amexco to issue credit cards through banks |YPF's tax

By Richard Waters in New York

American Express yesterday announced its intention to issue charge and credit cards through banks in the US, a move which will bring to a head a long-simmering dispute with Visa, another leading pay-

The tussle between the two has already resulted in American Express filing a complaint with European antitrust authorities, a move which could be echoed in the US.

Success in winning over the banks, its traditional competitors, would open a new distribution route for American Express, enabling it to grow

Visa passed a by-law in the US five years ago which pre-vents banks offering cards from rival payment groups, including American Express. The by-law does not cover MasterCard, another payment system which, like Visa, is owned by the banks that issue

The payment organisation had proposed a similar by-law in Europe, a move which provoked an official complaint from American Express. Yesterday Visa said it was no longer proposing an extension of the rule to Europe.

Mr Harvey Golub, American Express chairman, yesterday took the battle to the US, the rival card groups' home turf. At a speech at a card industry conference in Atlanta, he issued a direct invitation to bank executives to start issuing his group's cards. "The heart of the issue is freedom of choice. Only Visa's restrictive by-law stands between banks and their freedom to choose," Mr Golub said.

Visa accused Mr Golub of trying to drive a wedge between the payment organisation and its members, and defended its by-law. "Banks have invested in, and built, the Visa: the Visa brand is the banks' brand," it said. In a sideswipe at American

Express's recent attempts to extend its range of payment card products. Visa added: "Quite frankly, they are a latecomer to the revolving credit [card] market. It's only lately they got religion because they were losing market share."

According to Mr Golub,

American Express's research has found that executives at more than 100 of the 300 largest US banks would be interested in issuing a wider range of navment cards. Almost all of them believed individual banks should be able to choose which cards they can offer to their customers, he added. In a direct challenge to Visa,

Mr Golub advised any bank that wanted to issue American Express cards to complain directly to the Visa board - or to convert all its cards to the rival MasterCard brand, which does not prevent its members issuing other cards.

Visa is reviewing its competitive position against American Express. The issue was on the agenda at the organisation's last board meeting in March, after the complaint in Europe, and the results are due to be



considered when Visa's direc-

tors hold their next meeting in Dean Witter Discover, whose Discover card was one of the

big success stories of the US payments industry in the early 1990s, recently fought an unsuccessful legal battle to be allowed to issue Visa cards.

#### CBS buy hurts Westinghouse Banco do Brasil issue fails to tempt

in São Paulo

An issue of R\$8bn (US\$8.06bn) in shares in Banco do Brasil, Brazil's biggest bank, seems certain to attract few takers among the bank's minority shareholders before their preferential right to buy expires on Tuesday.

Priced at R\$12.85 and R\$13.51, respectively, for each lot of 1,000 ordinary and preferential shares, the offer is equally unlikely to tempt new investors when it opens to the public between May 8 and 20. The shares were trading on the São Paulo stock exchange yesterday at around R\$9.60 and

R\$9.80 per lot. "It's undeniable that with the shares at their current level there is little incentive for anyone to take up the offer." Mr Carlos Gilberto Caetano, financial director, said. Any shares unsold after the offer expires will be bought by the bank's controlling shareholder, the national Treasury.

loans of R\$3.8bm.

Mr Pedro Parente, the finance ministry official responsible for the restructuring programme, is confident of

"If the Treasury has to step in, that won't be a problem," he said. "All the shares the Treasury buys will be sold at a profit in the future." However, Mr Alberto San-

chez, a banking analyst at Bear Stearns in New York, said this certainty was not shared by "What people are wondering

is whether Banco do Brasil has revealed the full extent of its problems, and whether there will have to be another clean-up next year," he said. Banco do Brasil's return on equity had always been low,

Mr Sanchez said, because of its

role as an instrument of government policy. Mr Parente said that in future, the bank would be properly paid for its services to the government.
Confidence in Brazil's banking industry was jolted last year when two leading banks revealed crippling liquidity difficulties shortly after publishing healthy balance sheets. To prevent a crisis, the government assumed their had debts Mr Sanchez said the cost to the Treasury of these and similar

operations was \$30bn-\$35bn. "The number one issue in Brazil now is the fiscal deficit," he said. "The government is under a lot of pressure to cut spending and the cost of bailing out banks is no help."

### bill offsets boost from oil prices

By David Pilling

Higher crude oil prices and volumes helped YPF, the Argentine hydrocarbons group, raise operating income to \$292m, a 32 per cent rise from the same period last year. However, a leap in income tax and continued losses at the Maxus oil unit in the US caused consolidated after-tax profits to fall 20.8 per cent to \$145m, in line with most market expectations.

YPF. Argentina's largest company, paid \$41m in domestic income tax, in its first such bill since the expiration of tax incentives associated with its 1993 privatisation. Results also included \$12m in losses and about \$40m in financial costs associated with Maxus, the Texas-based international oil group acquired by YPF last year. Maxus, bought for \$800m and with \$1bn of debts, is fully consolidated into YPF's bal-

ance sheet.

Mr Nells León, YPF president, said loss-making Maxus
would reach break-even point by the end of next year. The purchase of Maxus has depressed YPF's share price because of the negative reaction of analysts. Maxus made a first-quarter loss of \$12m compared with a 1995 fourth-quar-ter loss of \$49m, said Mr León. The improvement was helped by higher crude oil prices, and a better performance following the replacement of the compa-ny's "terrible upper management". he said.

Mr Daniel Tassan-Din, head of research at ING Barings in enos Aires, said YPF's goal of eliminating losses at Maxus depended on the successful conclusion of a joint venture in the Texas panhandle, where the company has gas reserves. Mr León said teaming up with another US company would allow economies of scale, especially in its gas processing plants. Amoco has been mentioned as a possible partner by industry analysts.

Mr León said YPF had decided not to sell Maxus's oil fields in Indonesia. Mr Tassan-Din said YPF had struggled to find a buyer because of debts accrued by the Indonesian unit and the need for approval of the sale from Indonesia's parliament. "They would like to sell, but they've not been able to," he said. Mr Tassan-Din said higher

oil prices had more than comon YPF's downstream side. YPF does not hedge against oil price shifts, and Mr León said it was not considering doing so in the near future.

#### **NEWS DIGEST**

### **News Corp states** tax compliance

News Corporation, the media and entertainment group headed by Mr Rupert Murdoch, said yesterday that it "has fully complied with its obligations under all tax laws to which it is subject". In a statement issued in response to the publication on Thursday of a Financial Times investigation, News Corp said that as a result of the company's "global operations it is required to file tax returns in many jurisdictions around the

The statement said News Corp "is advised, and its tax returns reviewed by, independent tax experts in every jurisdiction in which it files returns, and its tax returns are subject to review in every country in which the returns are

The Financial Times investigation into News Corp revealed questionable tax planning and embarrassing management failures. Details have emerged of the tax avoidance structure operated at News Datacom, a News Corp group subsidiary involved in the supply of smart cards to BSkyB and other TV groups. News Datacom was registered in Hong Kong and had a wholly owned subsidiary registered in Israel. News Corp stated yesterday that its "Israeli subsidiary,

since its inception, has had accumulated losses and, as a consequence, has not incurred income tax liability in Israel". News Corp also said that "any difficulties related to the management of News Datacom between 1987 and 1992 were caused by the unauthorised acts" of certain individuals against whom it is now taking legal action. It also said that "News Corp reaffirms its complete faith in the current

William Lewis. London

WHITE HELDER

CanPac to sell property

management of News Datacom".

Canadian Pacific expects to begin selling commercial properties worth C\$1bn (US\$700m) across Canada later this year, according to Mr David O'Brien, president. "We plan to exit real estate largely and we have several shopping centres and office buildings on offer now," he told the annual meeting in Vancouver. "This is the final stage of CP's restructuring and our four other businesses – rail, ships, energy and hotels

He said CP did not face further large write-offs. At the end of 1995 it wrote down the value of its railway and property assets by almost C\$1bn.

Robert Gibbens, Montreal by almost C\$1bn.

#### Gruma in talks to sell stake

Gruma, the parent company for Grupo Industrial Maseca, a leading Mexican food company, was in talks with Archer-Daniels Midland and other foreign companies to sell a stake believed to be valued at US\$200m, the company said. It was also planning an equity offering later this year.

Mr Javier Velez, Maseca's corporate director of finances and planning, said Gruma was considering a sale to reinforce its long-term equity base. However, such an expansion was not necessary in the case of Maseca, which reported record sales for the first quarter of 1996, in spite of the recession that has hurt other parts of the food industry. The company dominates the market for the corn flour used for tortillas, a staple food Daniel Dombey, Mexico City for many Mexicans.

#### Gulf Canada moves into profit

Gulf Canada, a former Reichmann holding now controlled by Texan oilman Mr James P. Bryan, earned C\$19m or 4 cents a share in the first quarter, against a loss of C\$51m or 30 cents a share a year earlier, on revenues of C\$195m against C\$167m. Gulf expects 1996 profit will total C\$50m. The company has been restructured and is completing a C\$250m upstream acquisition in Western Canada.

#### 3M sticks to sales growth

3M. the Minnesota-based adhesives manufacturer, said net income dinned to \$362m or 87 cents a share in the first quarter, from \$376m or 90 cents a share for the same period in the previous year. Worldwide sales rose to \$3.46hn from 3.36bn a year ago. However income from continuing operations rose to \$362m,

from \$355m. International sales increased about 4 per cent in the period, to \$1.9bn or about 55 per cent of the worldwide total, in spite of sluggish growth in France and Germany. In the US, sales rose 3 per cent to \$1.9hn. Laurie Morse, Chicago

#### generation", Mr Jordan said. Westinghouse Electric suffered Westinghouse's latest results an after-tax loss, before one-off acquisition, helping to reduce items, of \$126m in the first its future interest costs. Serv-

three months of the year, reflecting continuing efforts by the broad-based US conglomerate to transform itself into a media-centred company.

By Richard Waters

The group's results were hit by costs linked to its acquisition last year of CBS, the network television company, as well as continued pressures on Westinghouse's power systems

Mr Michael Jordan, chairman, sought to depict the group's recent performance as part of a transition that would

future. Westinghouse has sold businesses to pay off \$3.5bn of the debt related to the CBS ing the debt and amortising the goodwill from the CBS acquisition cost \$90m after tax in the first quarter.

Mr Jordan also hinted at an improved performance from the power generation business. which suffered in the first quarter from what the company called "price compression" on existing orders, as well as delays by customers in placing service orders.

Orders in Westinghouse's industrial businesses as a part of a transition that would whole would be "up nicely in or 1 leave it better positioned in the the second quarter, reflecting ago.

reflect other aspects of its extensive restructuring. The group recorded an after-tax gain of \$1.2bn from the sale of businesses, and a \$857m charge to cover a number of one-off The charges, announced last month, include a number of

increased demand in power

items such as accounting changes, the settlement of outstanding legal disputes and asset write-downs. After all one-off factors,

Westinghouse reported net income of \$181m, or 41 cents a share, compared with \$15m, or 1 cent a share, a year

### Menu change at McDonald's

By Richard Tomkins in New York

McDonald's, the world's largest fast food chain, is planning to make its most important menu change in 15 years with the US launch next week of a new type of burger called the Arch

Billed by the company as "one of the biggest McMoments in history", the move is aimed at helping the company fight fierce competition from other fast food chains - particularly Burger King, part of Grand Metropolitan of the UK.

combination in the US - and is served in a potato-flour bun. The burger is intended to have a home-made feel, con-taining leaf lettuce that looks torn instead of shredded in order to make it look less processed. Other ingredients are peppered bacon, cheese, onion, mayonnaise, and a combination of Dijon and stone-ground

lettuce and tomato - a popular

McDonald's said that it did not want to comment on the launch ahead of next Thursday's unveiling, but it confirmed that it had been test The Arch Deluxe is a quarter-pound burger, but unlike marketing the Arch Deluxe for ter-pound burger, but unlike some time. "We are very the existing McDonald's quare excited about its potential as a ter-pounder it contains bacon, premium sandwich," it said.

North America "at this time". recently, it introduced the lowfat McLean Deluxe burger in

sell well and McDonald's withdrew it in February this year. market leader among US burger chains, it is fighting competition from Burger King and Wendy's International. The new burger, intended to appeal particularly to adults, will help it fight Burger King's Whopper, which contains lettuce and

McDonald's added that it had no plans to introduce the Arch Deluxe to markets outside The company's last big product introduction was Chicken McNuggets in 1981. More

1991, but the product did not Although McDonald's is the

The share issue is part of a restructuring programme announced after Banco do Brasil posted a 1995 loss of R\$4.2hn. Other changes include greater non-government representation on the bank's board of directors and more collective decision-making design to improve profitability. On the same day the issue was announced, the bank declared a provision for non-performing

### BOSTON INCOME INVESTMENT FUND, SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25255

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON INCOME INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 10.00 a.m. local time at the registered office with the following agenda:

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EOUTY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Lixambourg sociétés d'investissement à capital. variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

and upon hearing: (1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"). (2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

subject to the approval of the Marger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations; (iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and diabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV; - BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION fund, SICAV;

BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and Rabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME for each cancelled Class B share of

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

Each share is entitled to one vote. The Shareholders on record at the date of the meeting are entitled to vote or give proxies.

Proxides should arrive at the registered office of the Company at least 46 hours before the meeting.

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Procosal.

The following documents are at the Shareholders' disposal for examination at the registered office of the SiCAV (copies may be obtained without cost): the Merger Processi: - the three last entrulal financial reports with management reports of BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

- the reports of the Board of Directors of Boston Income investment fund, skay, boston equity investment fund, skay, boston international equity investment fund, skay, boston international equity investment fund, skay, boston fund, skay, boston pacific growth investment fund, skay, boston argentine investment fund, skay, boston global capital appreciation fund, skay, boston strategic income fund, skay, and boston european bond fund, skay on the Marger Proposal;

By order of the Board of Directors

#### BOSTON STRATEGIC INCOME FUND, SICAV

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 42218

NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON STRATEGIC INCOME FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 2.30 p.m. local time at the registered office with the following agenda: **AGENDA** 

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg. (1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-Subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV and

BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting: (i) to state the accomplishment of the formalities prescribed by article 257 of the law on commercial or (ii) to approve and ratify the Merger Proposal published in the Memorial, Recueil Special des Sociétés et Association

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME, in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancalled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV; BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT.
 FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new class 8 share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class 8 share of BOSTON INCOME INVESTMENT FUND, SICAV; - BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and flabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV In the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

GOVERNMENT INCOME FUND. SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV; - BOSTON INTERNATIONAL FUND! - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and Rabifilies of PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND! - PACIFIC GROWTH INVESTMENT for each canoalled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and tieblidies of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancell Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

-BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B stare of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B stars of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV; There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

Each share is entitled to one vote. The Shareholders on record at the date of the meeting are entitled to vote or give provies.

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

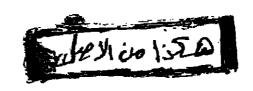
SOSTON INTERNATIONAL FUND 1 - U.S. GOVERNMENT INCOME in exchange for the contribution of all ass

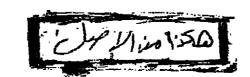
Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SiCAV (copies may be obtained without cost):

- the Merger Proposal; - the three lest annual financial reports with management reports of BOSTON STRATEGIC INCOME FUND, SICAY, BOSTON EQUITY INVESTMENT FUND, SICAY, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAY, BOSTON U.S. GOVERNMENT INCOME FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAY, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAY and BOSTON EUROPEAN BOND FUND, SICAY;

The reports of the Board of Directors of Boston Strategic Income Flind, Sicav, Boston Equity Investment Flind, Sicav, Boston Income Investment Flind, Sicav, Boston International Equity Investment Flind, Sicav, Boston U.S. Government Income Flind, Sicav, Boston Pacific Growth Investment Flind, Sicav, Boston Argentine Investment Flind, Sicav, Boston Global Capital, Appreciation Flind, Sicav and Boston European Bond Fund, Sicav; on the Marger Proposal;

By order of the Board of Directo





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over the last two years.

The group said it would increase its dividend by more than earnings over the next two years, reducing its cover to the sector average of about two

Mr Gordon Roddick, chairman, acknowledged that the group was responding to institutional pressure. "They told us: 'your balance sheet is strong, but your dividend is pitiable."

Sales rose 16 per cent to £595m (£511m), but profits fell because of a £1.3m operating loss in the competitive US mar-

#### COMPANIES AND FINANCE: UK

Announcement expected in near future following the government's blocking of bid from PowerGen

## US utilities line up for Midlands Electric

By Patrick Harverson

Midlands Electricity expected to announce within the next few days that it has received a formal takeover offer from a US utility.

The regional electricity company has attracted bid approaches from several US utilities since last Wednesday, when the government unexpectedly blocked the £1.95bn (\$2.94bn) takeover of Midlands by PowerGen, the generating group. Mr Bryan Townsend. chairman, is believed to have held preliminary talks with the

potential bidders. Although their identities are not known, about half a dozen large US utility groups have expressed an interest in expanding into the UK electricity market. They include Genesal Public Utilities. Houston is dustries. Pacific Gas & Elec-

By Christopher Brown-Humes

Body Shop International, the cosmetics group, yesterday

promised more generous divi-

dends in a rapprochement with the City that follows its deci-

sion to remain a public com-

The group announced a 55

per cent increase in its final

dividend to 2.32p, in spite of a

slight fall in pre-tax profits

from £33.5m to £32.7m for the

year to March 2. The total pay-

out of 3.4p - up 42 per cent - is

payable from earnings per

Investors, who had been

pressing the company for

higher payouts, responded pos-

itively to the announcement.

The shares rose 19p to 179p.

Pody Shop has been a signifi-ant market underperformer

share up 15 per cent at 9.8p.

iric, Mission Energy, Duke Power and Florida Power & Light. A US bid for Midlands has been expected by the stock market since Mr Lang's decision to rule against the Power-Gen takeover and the separate bid for Southern Electric by another generator, National Power.

His view that an English generator should not be allowed to own a regional distributor because it would hinder competition was seen as opening the way for foreign companies to buy the remaining indepedent recs.

After the government sanctioned takeovers of the distributors in 1995, many of the recs were bought in a flurry of takeover activity. Until the generators' bids were blocked, only four remained independent London, East Midlands, Yorkshire and Northern, which suc-

**Body Shop promises to pay** 

more generous dividends

and the second second

The US problems are being

tackled through cost-cutting.

higher promotional spending, and product launches. The

group said US expansion would

slow this year and it could

close up to 10 poorly-perform-

ing stores.

The UK produced a resilient

performance, with unchanged

attempt by Trafalgar House.

Although only one rec, the south west-based Sweb, was acquired by a US buyer -

Southern Company of Atlanta

- analysts expected other US

utilities to enter the UK mar-Midlands is one of the largest electricity distributors in the UK. with 2.16m customers. In December it announced interim pre-tax profits of 992.7m on sales of £621.6m. in the year to March 31 1995 profits were £178m on sales of

The largest shareholder in Midlands is PowerGen, which owns 21 per cent, a stake acquired since the generator announced an agreed acquisition of the rec last Sentember Yesterday Midlands shares rose 5p to 385p, giving a market capitalisation of £1.47bn.

Sugar and a facilities of the same of the same of

ASSESSMENT OF STREET

nere opera

surged 93 per cent to £10.8m on

turnover up 63 per cent at

The company abandoned

plans to go private in March,

in part so as not to impede its

international expansion drive.

It plans to open a further 120

stores this year, mainly fran-chised, to build on its 1,400-

#### LEX COMMENT Kwik Save

Kwik Save is paying the kwik Save is paying the price for straying from its roots. As a discounter of a limited range of basic branded goods, it had a distinct proceed with the stray of tinct appeal. That has been blurred as the group tried to emulate the supermarkets by doubling its product range to more than 4,000 lines, building larger, more expensive stores and introducing own-label goods. That has allowed pure discounters like Aldi and Netto to undercut it, while the big super-

100 90 -80 ~ markets have retaliated from 1993 on high by cutting prices on the typical Kwik Save shopping basket. Tesco, for instance, is selling baked beans that cost 15p a can at 3p. Kwik Save is being horribly squeezed in the middle. Yesterday's interim results showed volumes, mar-ket share and sales per sq ft all declining, while costs shot up

land between the supermarkets and the discounters and the group's root-and-branch review is a belated recognition of this. However its management seems wedded to continued expansion - albeit at a slower pace - and is planning to spend heavily on modernising distribution and computer systems. To cover that investment will require even higher volumes, just at a time when the group's rapidly falling return on capital makes new store openings harder to justify. A more prudent approach might be for Kwik Save to retrench to being a limited range discounter, cut costs and fight the competition

19 per cent. As a result, profits are expected to fall a third to £85m this year and remain static at best in 1997. The sinking

shares suggest that Kwik Save cannot survive in this no man's

#### **DIGEST**

### Laura Ashley/ L'Oréal deal

Laura Ashley, the clothing and home furnishings group, has signed a licensing deal with French group L'Oréal. The two are to produce a range of perfumes and cosmetics to be sold under the Laura Ashley name.

The development costs of the deal represent a "serious amount of cash", according to Mr Stephen Cox, Laura Ashley director of legal and commercial services. Mr Cox said yesterday's "long-term" agreement had "greater potential" than the 10 other licensing agreements the group

has, ranging from sunglasses to ceramics. Laura Ashley shares rose 6p to a year's high of 215p. L'Oréal closed down FFr2 at FFr1,595.

#### Bodycote buys Hauzer stake Bodycote International has bought a 51 per cent stake in

Hauzer Industries of the Netherlands for £3.47m cash. It has an option to acquire the remaining 49 per cent of the share capital on a profit related formula.

The deal is a further step in Bodycote's strategy of building a European network of sub-contract heat treatment processing centres which now totals 12.

#### CRH expands in Netherlands

CRH, the international building group, said its Van Neerbos subsidiary had bought Kelders Group, the roofer, and Van der Schoot, the wholesaler and distributor, for I£12m (£12.4m) cash, including debt assumed. Goodwill on the acquisitions amounted to about I£4m.

The company said combined trading profits in 1995 for Kelders and Van der Schoot amounted to If2m on combined sales of I£24m. The deals will increase the group's merchandising outlets in the country to 43.

#### BANK GESELLSCHAFT BERLIN

**Annual General Meeting 1996** 

We are pleased to invite our shareholders to our Annual Shareholders who wish to attend the meeting and exer-General Meeting which will be held on Friday, 14 June cise their voting rights should deposit their shares by 1996 at 10:00 a.m. in the International Congress Centre 7 June 1996 in accordance with the Articles of Associa-Berlin, Hall 1, Messedamm, 14055 Berlin-Charlotten-tion with Bankgesellschaft Berlin AG, Berliner Bank AG,

Agenda (Summary Version)

t. Presentation of the Annual Financial Statements and the end of the Annual General Meeting. Shares may the Management Report for the 1985 financial year - also be deposited with a German notary public. In this with the Report of the Supervisory Board; Presenta- case, a receipt documenting the deposit of shares with tion of the Consolidated Financial Statements and the notary public must be received by our company by Group Management Report for the 1995 financial w10 June 1996.

2. Appropriation of distributable profit

The Board of Management and the Supervisory Board propose that the distributable profit of DM 239.885,657 of the 1995 financial year be used to pay a dividend of UM 11 per share in the nominal amount of DM 50.

5. Ratification of the acts of management of the Board of Management for the 1995 financial year

Ratification of the acts of management of the Super-

5. Authorization to acquire own shares

visory Board for the 1995 financial year

6. Authorization to after nominal amounts of shares, to

7. Election of auditors for the 1996 financial year

Bankgesellschaft Berlin AG Investor Relations

The annual report for the financial year 1995 is availa-

ble for inspection at and may be obtained free of charge

Landesbank Berlin -Girozentrale- or another depositary

until the end of the Annual General Meeting. Shares

can also be deposited properly if, with the consent of a

depositary bank, they are blocked by another bank until

Alexanderplatz 2 D-10178 Berlin Tel.: +19-30-245-66585 Fax: +49-30-245-66595

Berlin, May 1995

create DM 5 shares and to amend the Articles of

BANKGESELLSCHAFT BERLIN Aktiengesellschaft

The Board of Management

#### **GRAND PACIFIC** HOLDINGS LTD

SD20,000,000.- FRN DUE 2000

INTEREST RATE: 6.39766% INTEREST PERIOD: FROM 03.05.1996 TO 04.11.1996 INTEREST PAYABLE PER USD 250,000.- NOTE: USD 8.219.22 BY FUJI BANK

(LUXEMBOURG) S.A.

To Advertise Your Legal Notices

Please contact Lesley Sumner on Tel: +44 0171 873 3308 Fax: +44 0171 873 3064

#### ENGELS-HOLLANDSE BELEGGINGS TRUST N.V. (English and Dutch Investment Trust) Established in Amsterdam PARTICIPATION CERTIFICATES (Issued by Royal Exchange Assurance)

he dividend will be payable as follows, subject to the provision of the application where managed on

To residents of all other countries, less 25 per cent Netherlands Withholding Tox.

secondaried by a United Kingdom Affidavit of non-residence. The aforementioned rates of ten-apply only in respect of coupons presented for payment up to and including 11th November 1996. Bereafter Nethertinate Withholding Tax will be deduced at the rate of 25 per cert and the United Lingdom Income Tax, where applicable, at the rate of 20 per cent from the net Sterline arrowner. For the period of 10th May 1996 to 11th November 1996 the dividend will be paid in Starling at the rate of exchange railing on the day of presentation of the coupons. Coupons presented thereafter will be paid in Sterling at the rate of exchange railing on the 11th November 1996.

To obtain payment, coupon no. 48 must be presented at the office of Hill Sammel Bank Limited, 48 Chiswell Street, London ECLY 4GR, ("the Paying Agent"). Compons must be least of in manufrical order on special forms obtainable from the Paying Agent and mass be left five clear days for examination.

Copies are available on request to the Paying Agent at the above address of the present Conditions relating to the Paying author Certificates which Conditions replace those printed on the back, of the existing Participation Certificates.

ROYAL EXCHANGE ASSURANCE 155 Bishopsgate, London EC2M 3TG

#### **BOSTON EQUITY INVESTMENT FUND. SICAV**

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25254

operating profits of £12.9m bol-strong worldwide network.

Gordon and Anita Roddick: criticised for 'pitiable dividend'

ket and because costs - at a stered by the performance of time of rapid international its direct home selling unit.

expansion - outran sales But the star performer was

£83,8m.

#### NOTICE OF MEETING

Since no quarum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 9.30 a.m. local time at the registered office with the following agenda: **AGENDA** 

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S., GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Luxembourg sociétés d'investissement à cap variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal"),

(2) the audit report prescribed by article 286 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert L-2453 Luxembourg;

subject to the approval of the Merger Proposal by the Shareholders of BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting;

(f) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies:

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recuell Spécial des Sociétés et Associations;

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND! - EQUITY INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND! - EQUITY INVESTMENT FUND for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV; -BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL FOURTY INVESTMENT FUND, SICAV in the proportion of 1 new Class 8 share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND. SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV:

- BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for sech cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each case Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION (CAPITAL APPRECIATION FUND, SICAV) in the proportion of 1 new Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and habitities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give pro-

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The lollowing documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost); - the Memer Proposal:

The three last ennual financial reports with management reports of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC SHOWITH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON SUROPEAN BOND FUND, SICAV;

THE PURE, SICAV, BOSTON EUROPEAN BOND FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

#### BOSTON U.S. GOVERNMENT INCOME FUND, SICAY

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 26470

#### **NOTICE OF MEETING**

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 11.00 a.m. local time at the registered office with the following agenda:

#### **AGENDA**

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, all Limembourg socialities of directing with registered office at 69, route d'Esch, L-1470 Limembourg.

and upon hearing

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal").

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-2453 Luxembourg:

subject to the approval of the Marger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON INTERNATIONAL FUND I, SICAV In their respective Extraordinary Shareholders' Meeting: (I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies;

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recuell Spécial des Sociétés et Associations; (III) to accept the lesue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows:

 BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT INCOME, in exchange for the contribution of all assets and liabilities of BOSTON U.S.
GOVERNMENT INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - U.S. GOVERNMENT IN
for each cancelled Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV; BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and Babilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new class 8 share of BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT for each cancelled Class 8 share of BOSTON EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT for each cancalled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV; BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL PUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cano Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all essets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV; BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV:

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The Shareholders on record at the data of the meeting are entitled to vote or give proxies

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders disposal for examination at the registered office of the SICAV (copies may be obtained without cost);

- the Merger Proposal; - the three last annual inancial reports with management reports of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV;

the reports of the Board of Directors of BOSTON U.S. GOVERNMENT INCOME FUND, SICAY, BOSTON EQUITY INVESTMENT FUND, SICAY, BOSTON INCOME INVESTMENT FUND, SICAY, BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAY, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAY, BOSTON ARGENTINE INVESTMENT FUND, SICAY, BOSTON STRATEGIC INCOME FUND, SICAY, and BOSTON EUROPEAN BOND FUND, SICAY on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

#### **BOSTON LIQUIDITY MANAGEMENT FUND, SICAV**

Société d'investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25257

#### **NOTICE OF MEETING**

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON EXCUDITY MANAGEMENT FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 4.00 p.m. local time at the registered office with the following agenda:

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND II, SICAV (formerly BOSTON BRAZIL INVESTMENT FUND, SICAV) together with BOSTON MULTI-CURRENCY FUND, SICAV, all Luxembourg sociétés d'investissement à capital variable with registared office at 69, route d'Esch, L-1470 Luxembourg,

(1) the report of the Board of Directors in relation to the merger proposal (the "Merger Proposal").

(2) the audit report prescribed by article 266 of the Luxembourn law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

subject to the approval of the Merger Proposal by the Shareholders of BOSTON MULTI-CURRENCY FUND, SICAV and BOSTON INTERNATIONAL FUND II, SICAV in their respective Extraordinary Shareholders' Meeting;

(i) to state the accomplishment of the formalities prescribed by article 257 of the law on commercial companies

(ii) to approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations:

(iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT, in exchange for the contribution of all assets and liabilities of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT for each Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY in exchange for the contribution of all assets and liabilities of BOSTON MULTI-CURRENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRENCY for each cancelled Class B share of BOSTON MUI THOURRENCY FLIND, SICAV:

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting. Each share is entitled to one vote.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost):

- the three lest annual financial reports with management reports of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, BOSTON MULTI-CURRENCY FUND SICAV AND BOSTON BRAZIL INVESTMENT FUND, SICAV;

- the reports of the Board of Directors of BOSTON LIQUIDITY MANAGEMENT FUND, SICAY, BOSTON MULTI-CURRENCY FUND SICAY AND BOSTON

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Roseri of Directors

#### **BOSTON MULTI-CURRENCY FUND, SICAV** Société d'Investissement à Capital Variable

Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 30223

#### NOTICE OF MEETING

Since no quarum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON MULTI-CURRENCY FUND, SICAV (the "Company") that the SECOND extraordinary shareholders' meeting will be held before notary on June 6, 1996 at 4.30 p.m. local time at the registered office with the following agenda:

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND II, SICAV (formerly BOSTON BRAZIL INVESTMENT FUND, SICAV) together with BOSTON LIQUIDITY MANAGEMENT FUND, SICAV, all Luxembourg societies d'investissement à capital variable with registered office at 69, route d'Esch, L-1470 Luxembourg.

(1) the report of the Board of Directors in relation to the merger proposal (the "Marger Proposal"),

(2) the audit report prescribed by article 265 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugène Ruppert, L-

ubject to the approval of the Merger Proposal by the Shareholders of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON INTERNATIONAL

(ii) to approve and ratify the Marger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associal

(III) to accept the issue of shares of BOSTON INTERNATIONAL FUND II, SICAV in the new compartments as follows:

- BOSTON INTERNATIONAL FUND II - MULTI-CURRIENCY in exchange for the contribution of all assets and flabilities of BOSTON MULTI-CURRIENCY FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II - MULTI-CURRIENCY for each cancelled Class B share of BOSTON MULTI-CURRIENCY FUND, SICAV;

- BOSTON INTERNATIONAL FUND II - LIQUIDITY MANAGEMENT in exchange for the contribution of all easets and liabilities of BOSTON LIQUIDITY

MANAGEMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND III - LIQUIDITY MANAGEMENT for each cancelled

Class B share of BOSTON LIQUIDITY MANAGEMENT FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting.

The Shareholders on record at the date of the meeting are entitled to vote or give proxies

Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost): - the Memor Proposal-

- the three last armusi financial reports with management reports of BOSTON MULTI-CURRENCY FUND SICAV, BOSTON LIQUIDITY MANAGEMENT FUND, SICAV and BOSTON BRAZIL INVESTMENT FUND, SICAV; ns of POSTON MULTI-C

INVESTMENT FUND, SICAV on the Merger Proposal; the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

This advertisement is issued in compliance with the requir ied. It does not constitute an invitation to the public to subscribe for, or purchase, any securities.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of The Maiden Group pic ("the Company") issued, and now being issued, to be admitted to the Official List. It is expected that dealings in the ordinary shares of 5p each of the Company will commence on 9th May, 1996

#### The Maiden Group plc

(incorporated in England and Wales under the Companies Act 1985. Registered No. 3050296) Placing

#### Deutsche Morgan Grenfell of 9,644,991 ordinary shares of 5p each

at 220p per ordinary share The Maiden Group plc is one of the largest media owners in the UK

outdoor advertising industry. The Group's estate comprises some 25,000 poster sites throughout the UK. Share capital immediately following the placing

Amount 52,080,000 £2,604,000.00 cardinary shares 39,306,517 £1,965,325.85

The ordinary shares now being issued pursuant to the placing will, on admission to the Official List, rank part passw in all respects with the existing issued ordinary shares of the Company and will rank in full existing issued ordinary shares of the Company and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of The Maiden Group plc. 8,986,364 ordinary shares are being issued in the placing.

A prospectus and listing particulars was published on 2nd May, 1996 and copies are available during normal business hours on any business day from the Company Announcements Office, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London BC2, for collection only, up to and including 6th May, 1996 and during normal business hours on any business day up to and including 16th May, 1996 from:

Deutsche Morgan Grenfell 23 Great Winchester Street London EC2

NatWest Wood Mackenzie & Co. Limited 135 Bishopsgate

#### NOTICE OF PARTIAL REDEMPTION TO HOLDERS OF

DOMUS MORTGAGE FINANCE NO.1 PLC

\$100,000,000

MORTGAGE BACKED FLOATING RATE NOTES **DUE 2014** 

Notice is hereby given that in accordance with Conditions 5(b) and 18 of the Notes, the Issuer hereby gives notice to redeem \$400,000.00 principal amount of Notes, selected randomly as detailed below. The date set for the adatory redemption is the next coupon payment date being, 10 June 1996, and the Notes will be redeemed at their principal amount plus accrued nuerest. Payment will be made against surrender of the Notes, together with all appurtenant Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 10 June 1996, the redeemed Notes will cease to accrue interest.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date.

The nominal amount that will be outstanding after the Notes listed below have been redeemed is \$17,900,000.00.

The Serial Numbers drawn for mandatory redemption are as follows:

134 339 628 899

**/// CHEMICAL** 

Principal Paying Agent Durat S May 1806

#### LORRAINE INVESTMENTS LUXEMBOURG S.A.

The Austral General Meeting of Shareholders of LORRAINE INVESTMENTS LUXEMBOURG S.A., will be beld at the HOTEL "LE ROYAL", 12, Bookevard Royal L-2449 LUXEMBOURG, on

Saturday May 11th, 1996 at 2.00 p.m.

AGENDA

Report of the Board of Directors
 Report of the Independent Auditor
 Approval of the Ameral Accounts as at December 31 or
 Allocation of Restrict as at December 31 or

Allocation of Results as at December 31st, 1995
Discharge to the Directors and to the Stantony A

Holders of bearer share certificates have to deposit their shares no later than May 6th, 1996 at Banque de Lattembourg S.A. or at any other recognized bank.

#### ARTAL GROUP S.A.

The Annual General Meeting of Shareholders of ARTAL GROUP S.A., will be held at the HOTEL "LE ROYAL", 12, Boelevard Royal, L-2449 LUXEMBOURG, on

Saturday May 11th, 1996 at 3.00 p.m.

AGENDA

Report of the Board of Directors
Report of the Independent Auditor
Approval of the Annual Accounts as ar Dec whs as at Deep

Discharge to the Dire

folders of beaver share certificates have to deposit their shares no later than May 6th

### COMPANIES AND FINANCE: UK

North American profits almost double on pick-up in Lipton tea sales

# Brazil star turn for Unilever

By Roderick Oram, Consumer Industries Editor

Latin America, led by Brazil, was star performer for Unilever in a first quarter marked by moderate underlying volume and profits growth.

Sir Michael Perry, chairman of the Anglo-Dutch consumer goods group, said overall pre-tax profits of £513m at current exchange rates were up 12 per cent from a year earlier. Analysis estimated Unilever

achieved volume growth of about 9 per cent in Brazil. Excluding an extraordinary loss this year and a gain a year earlier from disposals, underlying operating profits in Latin America were up 35 per cent. Other developing markets

appeared mixed despite Unilever's efforts to generate strong profits growth from

them to compensate for mature markets in Europe and North

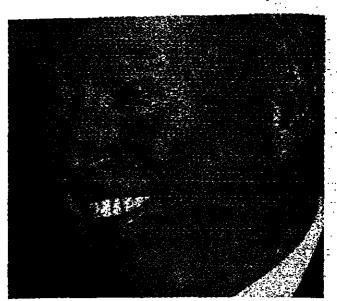
<u>America</u> Profits from Asian and Pacific markets were up £6m to £92m but good gains in developing countries were offset by weaker performances in Australia and Japan, analysts

North American profits almost doubled to £102m. A large proportion of the rise reflected a pick-up in Lipton tea sales. North American sales were up 11 per cent at £1.47bn, but volume growth was probably only 4 per cent. European operating profits were flat at £253m, but the lat-

est period included some £19m

in exceptional costs, in the view of analysts. Quarter-end net debt rose from £1.98bn to £2,78bp.

Lex, Page 14



Sir Michael Perry: growth of 12% at current exchange rates

### Seven Seas sale nets £150m for Hanson

Hanson, the industrial conglomerate which is planning a four-way demerger, yesterday announced the £150m (\$226m) sale of Seven Seas, its UK vitamin supplement busi-ness, to Merck, the German

drugs group.

The sale brings the total raised by its disposal programme to more than £2bn, exceeding a target set last December by Mr Derek Bonham, chief executive.

Mr Christopher Collins, Hanson vice chairman, said that plans for demerger were "very much on track", but he declined to be drawn on whether the group planned fur-

Mr Ted Roberts, board mem-

ber responsible for worldwide pharmaceuticals at Merck, said £59.3m in the year to September 30 1995. it had been looking for an over-Hanson declined to disclose the-counter business in the UK for some time. "We wanted to expand our OTC business because we have a pretty

strong presence already in Germany, Spain, Italy and France." Seven Seas would be the group's first OTC business in the UK, where it also runs a generics business and pharmaceutical operations. It would also complement other vitamin

many, Italy and Spain. He said the group had been talking to Hanson for about five months. Mr Collins said Merck had "emerged from other bidders".

and mineral activities in Ger-

Merck has paid well over twice Seven Seas' sales of found anything I like."

the business' profits or net assets, but Mr Collins said: "Most of the value of Seven Seas is in the brand rather than in tangible assets. Mr Roberts said Merck would

maintain Seven Seas' current management. He added: "We see opportunities to move some of the Seven Seas operations out of the UK into other markets and vice versa. We might be able to use Seven Seas to introduce our other products. into the UK."

He said the group was looking for an acquisition in the US generic market. "We have talked to a lot of companies but I really have not

### **Kwik Save reviews stategy** following decline of 28%

By David Blackwell

Kwik Save, the UK's biggest discount grocer, announced a strategic review yesterday as interim profits fell 28 per cent. Shares in the group, which is

from supermarkets and disount storés, fell 40to to 428to. Pre-tax profits fell from £61.6m to £44.2m (\$67m) in the 28 weeks to March 9. Sales rose from £1.7bn to £1.84bn, but

like-for-like sales were flat. Mr Graeme Bowler, chief back to zero and find a viable executive, said the group had never experienced such fierce trading conditions and "their reversal in the short term is unlikely". He warned of a

reduction in gross margins in space has since doubled.

The review, to be conducted by Arthur Andersen, the consultants, would look at "everything and anything". It would be completed by the end of July, but no announcement

the second half.

suffering price competition was likely before November. Analysts doubted that any es following the review would take effect for two or three years. "Reviews are usually a euphemism for big writeoffs and provisions," said one. The management needs to go

> proposition for the market." Full-year forecasts were cut yesterday from £100m to about £85m. This is about the same as 1990's figure - but selling

Kwik Save has 987 stores. which Mr Bowler describes as "discount supermarkets". It has increased its range from 1,000 to more than 4,000 lines, but faces competition from much bigger supermarkets, and from discount chains such

as Aldi and Netto. Store openings are continuing to increase. Mr Bowler said 150 openings last year had had an impact on 150 Kwik Save

Overheads rose 19 per cent from £169.5m to £201.6m, partly because of the Shoprite acquisition in Scotland in 1994. Sales were running 50 per cent higher but an operating loss was expected for the year.

Lex, Page 21

### ICI to push polyester and performance chemicals

Imperial Chemical Industries is to create two new divisions polyester and performance chemicals – as part of a drive to promote its star busi-

Mr Charles Miller Smith. chief executive, has already injected young blood into the businesses by appointing new chief executives.

Mr Paul Drechsler, 40, will head the polyester business, which is one of ICI's largest. Mr John Hirst, also 40. will run the performance chemicals

Both will answer directly to the ICI board. Previously, their businesses were part of the group's chemicals and polymers division, headed by Mr Bob Bew.

It produces surfactants, used as cleaning agents in tolletries and dispersants in industries chemicals, and catalysts, which provoke reactions in other chemicals. Sales last year were £600m. The polyester business, however, has been very successful.

**....** 

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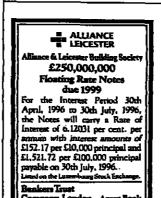
It makes PTA, the raw material for polyester fabrics and plastics; PET, used to make plastic water bottles; and polyester-based films, used for Polyester sales rose from £600m to £1.4bn last year. This

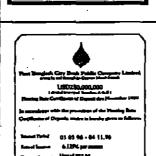
has prompted the group to four new polyester build plants, two in Asia, one in the US and one in the UK. However, other companies

have also been increasing their polyester capacity, and analysis predict a sharp slowdown in the sector, followed by several years of stagnation.

#### RESULTS . 6 meths to Mar 31 24 (20.3 ) 0.772 12.3 32.7 (0.324 (13.8 1.25 7.7 2.4 .nli 1.3 20 nli 29.4 6 miles to Jan 31 124.6 . 53 wks to Mar 2 256.5 Body Shop First Call § (33.5 ) (0.226 ) (219.7) 0.961.4 3.041.4 44.2 0.2221.4 \_ Yr to Dec 31 \_ Yr to Jan 31 47.8 114.2 (53.2 ) (105.7 ) (0.02 ) (0.27L ) (28.3 ) (0.2L ) (16.04 ) 0.11L (0.15L4) (61.8 ) (0.165L) 4.19L 18.45 1.2L† 17.11 1,838 7.34 (1,697 ) (7.13 ) (7,188 ) \_\_\_\_\_ Yr to Dec 31 7.34 . 3 mths to Mar 31 7.689 Total lest 🦃 . Tyr to Mar 31 413 (315.3) ... Yr to Mar 31 130.8 (128.4) 2.68 1.88 (2.23 ) (1.05 ) 4.1 2.72 (3.42 (1.96 3.4 1.75 3.4 1.75 4 2.35

Earnings shown besic. Dividencis shown net. Figures in brackets are for corresponding period, AAfter exceptionel charge. †On increased capital. §USM stock.





# PPOINTMENTS ADVERTISING

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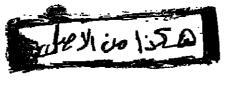
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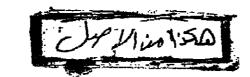
US\$ 7,000,000 TRANCHE A LOAN US\$ 43,000,000 TRANCHE B LOAN Arrangers MEDIOCREDITO CENTRALE S.P.A. ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A. - LONDON BRANCH Co-Arranger LONDON FINANCE S.R.L. ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A. - LONDON BRANCH Lead Managers MEDIOCREDITO CENTRALE S.P.A. (as sole lender for the Tranche A Loon) ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A. - LONDON BRANCH Managers BANCA CRT - LONDON BRANCH BANCA NAZIONALE DEL LAVORO - LONDON BRANCH BANCA POPOLARE DI MILANO - LONDON BRANCH BANCA POPOLARE DI NOVARA - LONDON BRANCH BANCA MONTE DEI PASCHI DI SIENA S.P.A. – LONDON BRANCH Participants BANCA ITALO - ROMENA BANCA POPOLARE DI BERGAMO – MUNICH BRANCH BANCO DI SICILIA - LONDON BRANCH CARIPLO - LONDON BRANCH CASSA DI RISPARMIO DI TRENTO E ROVERETO S.P.A.

**London Forfaiting Company Pic** 

US\$ 50,000,000

Term Loan Facility





### FINANCIAL TIMES FRIDAY MAY 3 1996 o in Lipton teas

#### COMMODITIES AND AGRICULTURE

### Aluminium industry 'very healthy'

By Kenneth Gooding, Mining Correspondent

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The aluminium industry can this year expect a mirror image of 1995, which "came in like a lion and went out like a lamb". This year started with weaker demand and lower prices but should strongly, according to Mr Jacques Bougie, president of Alcan of Canada, the world's second largest aluminium

Demand for the metal, which had shown 13 years of continuous growth, would rise again this year by between 2 and 3 per cent, he suggested at presentations to international investors and analysts. That would follow an 11 per cent demand increase in 1994 and one of 2.2 per cent last year. Prices in 1996 were likely to be a little lower than last year's average of US\$1,830 a

Although there was about lm tonnes of shut-down capac-\_ ity ready to come back into operation, that would all be needed to meet demand, he suggested. More than half of that capacity was owned by two US groups, Alcoa and Reynolds Metals, which faced labour contract negotiations this quarter.

some short term gyrations in Alcan had 160,000 tonnes of stantial cut in Russian capac-

Aiuminium Stocks (tonnes m) Price (\$ per pound) Total stocks 4.5 Total prices 

idled capacity - about 10 per ity, production or exports. cent of its smelting capacity -He was also sceptical about and this would not be brought warnings from some industry back into operation until analysts about a possible short-"demand was strong and [global] stocks were low". age of primary smelting capacity in 1998 and 1999. "The mar-Stocks at present were ket has a wonderful way of "healthy rather than low", said adjusting itself," he said. When prices rose consumers turned

Mr Bougie, at 13 weeks of sup-ply. At their lowest level in the 1980s stocks were down to only 111/2 weeks of supply and prices soared. In present circumstances. the 2m tonnes of Russian alu-

minium being exported to

western markets, "is no longer

a nuisance but is now an essential part of western supply". Any interruption to Russian "So there is potential for supply would cause prices to rocket. However, Mr Bougle

saw little danger of any sub-

deliberately vague about the timing of these increases. A final decision about a potential 240,000 tonnes a year alumin-ium smelter in China to be developed with partners would not be made until 1999. Mr Bougle looked at two big aluminium markets: beverage

cans, the biggest single product using the material, and transport, the biggest single industry customer. He suggested demand from the can makers would continue to grow at an average of 3 per cent a year for the next ten Alcan expected the alumin-

ium content of cars to rise from about 91kg a vehicle to 136kg by early next century. What happened then depended on whether car makers intro-duced aluminium-intensive vehicles. Mr Bougie pointed out that "not one ounce of present industry capacity has been put in place in anticipation of a future big increase in demand from the auto industry". However, as it took at least three years from design to production for a new car. the aluminium industry could keep pace with that demand as

it arose. Summing up, Mr Bougie leclared: "The [aluminium] declared: industry is in a very healthy situation. The fundamentals are right. Demand is strong. Supply is available. Prices are at a competitive level."

#### **Production** boost planned at Chilean copper mine

By Kenneth Gooding

Phelps Dodge, the US group, and Sumitomo of Japan are to increase output at their Candelaria copper mine in Chile by more than 70 per cent at a cost of US\$337m.

Candelaria's capacity will be increased from the present 250m lb (113,500 tonnes) annual rate to 425m lb (193,000 tonnes) by the middle of 1998. The mine, in Chile's Ata-

cama desert, came into production only one year ago. Phelps, which operates and owns 80 per cent, and Sumitomo, with the other 20 per cent, spent \$560m on the first phase. Candelaria is Phelps first substantial operation outside

of the US. The company said yesterday that it had wanted to get a better understanding of the ore body before boosting output. The expansion will reduce the expected life of Candelaria from 35 to 19 years.

The expansion is in line with Phelps' objective of doubling its copper production to 2bn Ib (907,500 tonnes) by 2002. Mining activity at Candelaria will be stepped up, and a second semi-autogenous mill and new and expanded concentrating facilities will be required for the expansion. More than 200 extra employees will be needed at the mine, which at

present employs 700. Copper prices firmed at the London Metal Exchange yesterday as a strike began at Chile's state-owned Chuquicamata mine after the management refused to increase a pay offer. Production at the mine, the world's biggest copper producer, was paralysed yesterday when 98 per cent of the workforce downed tools. But the

company said it had enough

copper in stock to be able to

avoid declaring force majeure on shipments "for at least two

EL COFFEE 'C' CSCE (37,500tbs; cents/fbs)

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SUGAR "11" CSCE (112,000lbs; cents/fbs)

COFFEE (ICO) (US cents/pound)

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### lurking in Africa's fields illions of families known as aflatoxins, were pres-

Toxic fungi are contaminating maize, writes David Dixon

Alarm raised about enemy

across Africa are damaging their health when they eat their staple food, maize. Harmful fungi, lurking in their fields and granaries, are contaminating their daily food. Many researchers warn that the damage done to health and productivity in Africa may be as serious as the AIDS epidemic, because virtually everyone who eats maize can be affected.

Fungi, such as aspergillus flavus and fusarium moniliforme, produce potent toxins called mycotoxins, which contaminate grain and other foodstuffs, such as peanuts.

Mycotoxins cause tremendous damage in Asia and in Africa, particularly in Mozambique, Kenya and Swaziland, they have been associated with very high rates of liver cancer. A recent survey in West Africa, directed by Dr Kitty Cardwell at the International Institute of Tropical Agriculture in Nigeria, indicates that mycotoxin contamination is widespread in maize. In Benin, over one-third of the farm granaries had high levels of mycotoxins at harvest time and by six months after storage over half were contaminated. Furthermore, farmers and their families were unaware that they were eating infected

In industrialised countries mycotoxin levels are strictly limited to 20 parts per billion or lower. This limit was based on animal studies showing that mycotoxins promoted tumours, reduced fecundity and led to increased morbidity and premature mortality.

Now the impact on people is starting to emerge. At a recent conference, held in Benin by the IITA and funded by Danish International Development Assistance and the International Development Research Centre of Canada, Dr Chris Wild of the International Agency for Research on Cancer presented data showing that

aspergillus flavus mycotoxins,

ent in the blood of 98 per cent of the people sampled across West Africa and were present in the umbilical cord of newborne babies. A report from the World Bank calculated that the average person, in sub-Sa-

Researchers warn that the damage done to health and productivity may be as serious as the AIDS

epidemic

haran Africa, worked for only about half of his or her productive life because of disease. Further data showed that child mortality before the age of 5 was higher than anywhere else in the world. Researchers now believe that the cause may well be high levels of aflatoxins in the diet.

Gita Ramjee, of the

Department of Paediatrics and Child Health at the University of Natal, in South Africa, showed that morbidity in children suffering from kwashiorkor (a condition arising from protein malnutrition) increased when aflatoxins were present in their bodies. It is also becoming apparent in West Africa that child vaccination programmes are having unusually high failure rates. Researchers argue that if high levels of aflatoxins are leading to increased morbidity then they may also be suppressing the children's immune system. Aflatoxins have been shown to

Fusarium moniliforme, prevalent in South Africa, produces mycotoxins called fumonisins, which are also carcinogenic. There is evidence, too, that they are systemic, so seed may actually carry the fungus.

suppress the immune system

in animals.

Although the traditional granaries may be harbouring fungal spores, contamination also, occur in the field. In the US corn belt, for instance, it is known that when maize is stressed, say by drought, the grain cracks and this allows fungal spores to get in. They get in, too, when grain is damaged by field pests.

Methods of harvesting also play a crucial role. Traditionally the crop is dried in the field but this allows the husk to loosen, giving insects and fungal spores easier entry.

For 25 years plant-breeders in the US have been trying to develop resistant varieties, but have found no specific gene. or set of genes resistant to aspergillus flavus. So they have developed varieties that are more stress tolerant in the field and have tight, thick husks for better storage. In Africa, plant-breeders have

concentrated more on increas

ing production, so Dr Cardwell

feels that it is time for the

breeding emphasis to change.

'We cannot improve yield

without paying equal attention to the storability of the crop, she insists. Dr Cardwell is looking for local compounds that will protect the grain as it goes into store. She has examined nine medicinal herbs that, in a liquid extract or powder form, stop the growth of aspergillus

At the conference in Benin delegates called for increased research to determine, more precisely, the link between mycotoxins and human health. To co-ordinate this work the Pan African Mycotoxin Initiative Committee will be set up. with funding from African and International donors, but immediate work will be co-ordinated by the IITA and the African Medical Research Foundation.

In the meantime public awareness campaigns will be stepped up to emphasise the tremendous impact mycotoxins are having in Africa.

### Australian Senate launches uranium inquiry

. By Nikki Talt in Sydney

Australia's Senate, federal ... parliament's upper house, yes-terday launched a wide-ranging inquiry into the mining " and milling of uranium, and the likely impact an expansion i of the industry could have on the environment and on health

The inquiry, which is due to a report in early December, will also consider the effectiveness J: of security agreements for exports.

The inquiry has been triggered by the recent change of federal government and a

COMMODITIES PRICES

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BASE METALS

likely upsurge in uranium mining. Australia is reckoned to have about 30 per cent of the western world's known lowcost uranium reserves, although at present it accounts for only about 10 per cent of the West's output of the radioactive metal.

For the past decade, under Labour, uranium mining has been restricted to three sites, one of which has been worked out. But the new conservative coalition does not recognise this constraint and no legislative changes are necessary to allow the industry to

Precious Metals continued

E GOLD COMEX (100 Troy oz.; \$/troy oz.)

405.7 +1.2

mining companies have been reassessing their uranium deposits, and one - Energy Resources of Australia, part of the North group - has submitted a formal application to develop a new underground

mine at Jabiluka in the North-

to other materials rather than

aluminium if that was possible.

\$1,600 and \$1,650 a tonne meant

that aluminium was very com-

petitively priced against rival

developing a new bauxite (alu-

minium ore) mine in Australia

by 1999 which would cost at

least \$100m and there was

scope for a 30 per cent increase

in the capacity of its present

alumina and aluminium smelt-

ing capacity. Mr Bougie was

Alcan itself was considering

materials.

Present price levels between

ern Territory.

Any expansion of uraniummining is sensitive, partly because of nuclear concerns and but also because some of the most prospective deposits, including Jabiluka, lie within the boundaries of Kakadu National Park (even though they are technically exempted

GRAINS AND OIL SEEDS

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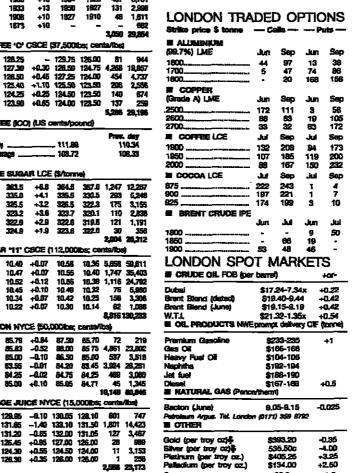
BARLEY LCE (£ per tonne)

Already the country's from the park restrictions). This has recently been designated a world heritage area, because to its natural fea-

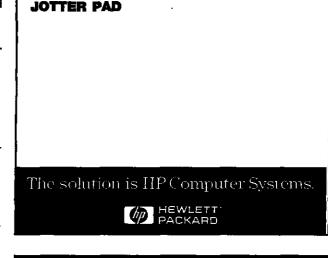
The federal government yesterday dismissed the Senate inquiry as a waste of public money, although the resources minister said his department would co-operate with it.

However, the probe was warmly endorsed by environmental groups, who urged the government to hold off making any decision on the ERA application until the Senate inquiry's findings had been

#### MEAT AND LIVESTOCK SOFTS ■ COCOA LCE (E/form LIVE CATTLE CME (40,000lbs; cents/fbs) Sett Day's Open Price change High Low Vol ist +31 1073 1082 85 1,882 +6 1113 1092 2,283 25,583 +4 1130 1714 1,384 45,451 -12 1045 1025 881 25,770 1058 1096 59,750 +1,500 59,750 59,500 11,432 34,852 82,025 +1,500 82,025 61,490 4,710 24,448 83,900 +1,125 84,175 63,400 3,841 18,202 61,650 +0,525 62,800 61,700 1,620 10,477 64,750 +0.400 65.000 64.700 E COCOA CSCE (10 tor ILLIVE HOGS CIME (40,000fbs; cents/fbs) 59.825 -0.725 60.890 59.400 4.837 57.475 -0.690 58.850 57.400 2.990 1378 1387 1397 1404 1414 1433 Hay Jul Sep Dec Mar May Total 1377 1,431 17,950 1388 342 17,427 1398 441 14,031 53,450 -0,175 53,850 53,325 48,500 +0,075 48,775 48,250 52,125 +0,175 52,250 51,800 72,925 +0,075 73,250 72,550 1,384 582 422 110 342 17,427 441 14,031 2 4,835 PORK BELLIES CME (40,000fbs; cents/fbs) E COCOA (CCC) (SDR's/tenne) May Jul Ang Fato Har May Total 90.225 +2.000 90.225 88.000 211 3.188 88.850 +1.500 89.350 86.550 788 5.542 85.700 +0.975 86.725 84.000 532 1.941 54.050 +1.350 \$4.700 B2.800 COFFEE LCE (\$/tonne) +17 1945 +17 1960 +15 1954 +13 1950 +10 1927 +10 -1820 307 2,443 1830 2,109 16,359 1928 457 5,781 1827 131 2,988 1910 48 1,511 – 662 LONDON TRADED OPTIONS 1906 1873

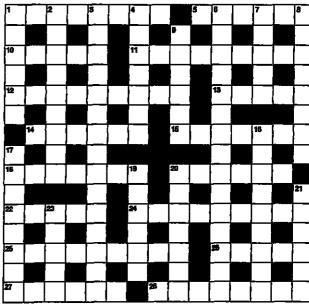


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اميل	10.34		10.42	10.25	156		Brent Bland (disted)	\$19.40 <del>-9</del> ,44	+0.4
ᅋ	10.22	+0.07	10.30	10.14	62	7,086	Brent Blend (June)	\$19.15-8.19	+0.4
Total					8,815	130,233	W.T.L	\$21.32-1.35x	_+0.5
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Oct	85.00	<b>-0.</b> 10	86.50	85.00	537	3,518	Heavy Fuel Off	\$104-108	
Dec	63.55		84.20			28,281	Naphtha	\$192-194	
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Mary	85.00	+0.10	85.05	84.71	45	1,345	Diesel	\$167-188	+0.
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E <sub>0</sub> v	125.45	+0.95	127,00	126.00	28	988	Gold (per troy 02)	\$393.20	-0.3
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									-7.6
							Cattle (live weight) Sheep (live weight)	101.46p 184.14p	-0.3
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	E, CME ar						Wheat (US Dark North)	Ung	
	пе & Оре	i amme		S ALTO K	al British		Rubber (Jun) V	99.00p	+0.5
ment	113						Rubber (Jul)♥	99.00p	+0.5
IND	CES						Rubber (KLRSS No1)	361.50m	-2.0
				~~			Coconut Oil (Phill)	\$830.0v	
	VIERS (B			_	_		Pain Oil Maley.35	\$545.0z	+10.
May		Ary 1		d ago		r ago	Coore (Philips	\$512.0v	+10.
2110		096.6		06.7	23	31.4	Soyabeans (US)	231,0w	
E CR	B Futures	(Base:	1967=	100)			Cotton Outlook'A' Index	82.50c	+0.5
May		рг 30		g ago		. ago	Wooltops (64a Super)	432p	+2
257.		56.09		2.38	23	5.52	£ per tonne unless otherwise :	stated. p pence/kg.	a cont
<b>■</b> GS(	CI Spot (E	lasec 19	97 <b>0</b> =100	7			r ringgilding, m Malayalan con	arto, a May, x Ju	70. Y
May	1 4	pr 30	mont	h ago	year	- ago	May, y Apollus, w Junichi. Pottersians, & Bullion market	Crose Custos	OV #



#### **CROSSWORD**

No.9,059 Set by DANTE



ACROSS
1 Frenzied macho types kept in check (8) 5 Musical arrangements of the twenties (6)
10 Article left out of yearbook

ing activity (9)

13 Welcome cry up north (5)

14 A very loud fish creates a dis-

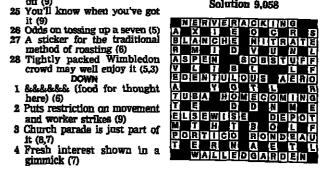
15 Appointment accepted by stout preacher (7)
18 Demands its sins be found out 20 One is often led to use it by mistake (6) Make a deduction (5)

24 Rampaging pirate due to cast off (9)
25 You'll know when you've got

6 Reason for a moving communication (6.2.7) 7 Bring up the question of more pay? (5) 8 Toothsome vegetable - but only grown for show (5,3) 9 Girl to finish in her undercreates void (5)
11 Talented group of relatives (9)
12 Told he can engage in sport
13 Told he can engage in sport
14 Youngsters eat greens for development (9) development (9)
17 Drawing instruments - rulers? (8) 19 Rabies breaks out in the country (6) 20 When there's a change of plea, men select a jury (7) 21 A service the non-drinker takes comfort in (3-8)

Solution 9,058

28 Currently used for transport-



a) AM Official
... Kerb close
... Open Int.
... Total daily tumover 206,445 59,640 M ALUMINIUM ALLOY (\$ per tonne) 1350-60 AM Official
 AM Of 1341-46 1381-83 Serb close
Open int.
Total daily turnover 5.598 2,052 ELEAD (5 per tonne) Close
Previous
High/low
AM Official
Kerb close
Open int.
Total daily turnover 831-3 808-10 824/823 823-4 821-2 799-800 828/805 812.5-3 827-8 NICKEL (\$ per torme) 8150-55 8045-50 8200/8100 Ctose Previous 7945-55 High/low AM Official 8140-50 8100-05 8050-60 Kerb close 39,532 16,314 TIN (\$ per torne) 6585-95 6555-60 6610/8580 6600-10 6585-95 6540-50 6570-80 16,782 4,938 Open int.
Total delily turnover E-ZINC, special high grade (\$ per tonne) 1061-62 1052-53 Close Previous High/low AM Official 1026.5-27.5 Kerb close 71,798 15,864

78,030 LME AM Official 2/5 rate: 1.4957 LME Closing 2/5 rate: 1.5017 Spot: 1.5033 3 miles: 1.5073 6 miles: 1.4988 9 miles: 1.4987 | GRADE CCV- | Sett | Day's | price change High | Low | Vol | Was | 122.55 | -0.35 | 123.70 | 122.40 | 1.445 | 8.315 | 121.85 | -0.30 | 122.90 | 121.80 | 485 | 3.152 | 120.05 | -0.55 | 121.45 | 119.80 | 5,140 | 24,997 | 118.80 | -0.50 | 120.00 | 120.00 | 139 | 743 | 117.45 | -0.75 | 118.50 | 117.20 | 694 | 42.16 | -0.75 | -0.75 | -0.75 | 1.501 | 8,198 | 82,128 | III HIGH GRADE COPPER (COMEX) PRECIOUS METALS

2708-13 2698-703

2722-24

171.856

E COPPER, grade A S per tonne)

III LONDON BULLION MARKET (Prices supplied by N M Rothschild) Morning fix 392.80 262.37 488.43
Afternaon fix 392.40 261.95 491.29
Day's High 393.90-394.30
Day's Low 391.90-392.30
Previous close 393.30-393.80 US cas equaiv.

Previous close 393.30-593.50 Loco Lda Mean Gold Landing Rates (Vs USS) 3 months

Jon Jul Jung Sep Oct Mor Total 538.50 544.90 551.55 584.45 6 months 1 year 378.60 \$ price 390-393 403.65-406.20

91-94

M PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 407.8 +1.8 409.5 405.5 2.663 19.798 410.7 +1.8 412.0 411.0 238 3.558 413.5 +1.8 413.0 413.0 1 910 416.2 +1.8 - 2 1.318 2.901 25.334 2,901 25,384 E PALLADRIM NYMEX (100 Troy cz.; \$/troy cz.) 138.25 +3.00 138.50 134.75 820 5.20 137.35 +2.95 137.00 137.00 221 2.568 138.50 +3.00 138.00 137.90 168 347 1,007 8,106 Jean Sap Dec Total SRLVER COMEX (5,000 Troy oz.; Cents/troy oz.) **ENERGY** ■ CRUDE OIL NYMEX (42,000 US gats, \$/barrel) +0.53 21.45 20.60 51.828 97.311 +0.36 20.35 19.70 25.905 70.888 +0.26 19.57 19.25 10.883 51.006 +0.26 19.10 18.90 2.586 35.517 Jan Jal Aug Sep Oct You Total 18.67 18.61 1,100 24.770 18.68 18.53 555 17,201 162,713.458,562 +0.25 18.87 18.61 +0.19 18.68 18.53 Letest Day's Open price change High Lew Vel Int 19.22 +0.42 19.26 18.80 18.75 53.560 18.48 +0.36 18.60 18.24 11,446 63.151 17.79 2,755 22,625 17.85 +0.24 17.71 17.50 988 12.447 17.47 +0.26 17.55 17.30 672 7.656 17.40 +0.35 17.40 17.22 225 4.609 35,541 199,782 ME HEATING OIL WINEX (42,000 US galls.; c/US galls.) 54.80 +0.84 55.25 54.10 10.241 25.220 52.95 +0.42 53.40 52.80 5.113 15.403 52.95 +0.47 52.85 52.46 2.536 13.583 52.80 +0.47 53.10 52.80 550 6.001 53.85 +0.77 53.70 53.50 307 4.001 53.80 +0.37 54.20 53.80 152 3.760 22,587 53.845

POTATOES LCE (E/tonna) FREIGHT (BIFFEX) LCE (\$10/index point) Self. Day's Open price change High Low Yet int E NATURAL GAS MINEX (19,000 mm8) \$/mm8(u.) FUTURIES DATA <u>Letont</u> Day's price change High | 2205 -0.024 | 2220 | 2.185 | 7,148 | 30,777 | 20,894 | 2219 | -0.004 | 2210 | 2190 | 2,775 | 20,894 | 2195 | -0.017 | 2196 | 2170 | 1,570 | 16,584 | 2175 | -0.017 | 2185 | 2170 | 855 | 1,734 | 2220 | -0.022 | 2230 | 2215 | 580 | 8,174 | 17,795 | 149,259 UNILEADED GASOLINE NYMEX (42,000 US gails; c/LS gails.)

85.00 +0.18 89.10 67.00 15.818 22.83 85.00 +0.75 65.40 64.50 7.295 17.507 61.50 +0.49 61.90 61.40 27.56 12.23 50.85 +0.74 59.00 56.80 406 3.932 55.50 - 55.50 55.40 26 12.95 53.50 - 55.15 55.15 3 1.022

All futures data supplied by CMS. The Australian murket opened down again this week. The Eastern market indicator down to a new seasonal tow of SSRots and the Western indicator down to 5 thots. The Eastern indicator recovered to 544cts and the Western resched 517cm on the week private analysis of bands. recovered to 544cts and the Western reached 517cts as the week closed against a background of a stronger Australian dollar. This is not the first time that hopes of a firmer wool market have amarged this season added by some improvement in business from procesors in Europe and the Fer East. The New Zealand indicator felt Scis to a new seasonal level of 445cts 4894 of the offering was well as low of 445cts, 48% of the offering was with

INDICE REUTE E CRB R May 1 257.95

■ GSCI S 209.33 209.25 185.06

# US data spark European falls Italy heads

By Samer Iskandar in London and Lisa Bransten in New York

All European bond markets fell yesterday in the wake of weaker Treasuries, after the release of data showing stronger than expected economic growth in the US in the first quarter of this year.

UK gilts showed a particularly poor performance, with political uncertainty over local elections exacerbating the bearish mood, while losses on Italian BTPs were limited thanks to the stability of the Lira on the foreign exchange

■ US Treasury prices tumbled in early trading yesterday after the Commerce department estimated that the economy had grown 2.8 per cent in the first quarter, far faster than the 1.6 per cent growth economists had expected.

The yield on the benchmark 30-year Treasury bond spent the day hovering near the 7 per cent level. The long bond has not ended the session with a yield above 7 per cent since May 12 of last year.

Near midday the long bond was off 1 at 87 to yield 7.001 per cent. Selling was also beavy at the short end of the maturity spectrum, where the two-year note fell 1/4 at 991/4, yielding 6.128 per cent. The June Treasury bond future slid

14 to 1084. Mr Kevin Sluder, a senior fixed-income trader at First Chicago NBD, said he had seen some buying interest at the short end of the maturity spectrum as the yield on the twoyear note jumped. At the long end however, investors remained hesitant to buy despite the 7 per cent yield, he

Mr Joseph Liro, chief economist at CIBC Wood Gundy, said the market was likely to begin preparing for interest rate increases given the strength in first quarter GDP growth and the prospects it creates for strong second quarter growth. Long bond yields

could go as high as 7.25 per point to 96.63. Bond market FFr8.150n of the new floating-cent this summer he added. analysts said that "most of the rate Tec 10 OATs. Also troubling the markets

was a larger-than-expected drop in last week's claims for unemployment benefits. Although the weekly statistics generally do not presage the monthly figure, yesterday's number added a degree of tension to the nerves about today's figures on employment levels in April that have dominated trading this week.

**Economists** have forecast that 128,000 non-farm jobs were added to the economy last month, down slightly from the 140,000 jobs that were created

Weakness in the dollar against the Japanese yen and the D-Mark also spilled over to the bond market. By early afternoon the US currency was changing hands for Y104.42 and DM1.5293 compared with Y105.35 and DM1.5361 late on

#### GOVERNMENT **BONDS**

Wednesday. A weaker dollar is damaging to bonds because it discourages foreigners from holding dollar-denominated securities.

Commodities were volatile with the Knight Ridder-Commodity Research Bureau crossing back and forth through positive and negative territory. By the early afternoon, the KR-CRB index was 0.56 lower at 257,38.

■ German bunds fell in line with Treasuries after the release of the bearish US data. Liffe's June bund future settled at 96.40, down 0.52, and was still losing ground on APT, Liffe's after-hours screen-based trading system, reaching a low of 96.12 late in the afternoon. More than 210,000 bund con-

tracts were traded, "a huge amount" according to a trader on Liffe's floor who described the session as "very hectic". In the cash market, the 10-year benchmark, the 6 per cent bund due 2006, fell 0.70

bad news is now factored into prices", and few of them expect bunds to trade much lower even if today's US employment data reinforces the bearish sentiment

At vesterday's closing prices, the yield spread of US Treasurles over bunds stood at 50 basis points. However Mr Kirit Shah, chief market strategist at Sanwa International, believes that since the European rally has recently been sustained by capital outflows from the US, the momentum behind it could soon diminish.

When the yield of the long bond reaches 7 per cent, he recently predicted, US Treasuries would again become attractive and drain liquidity away from European bonds.

■ French government bonds also lost ground, but managed to outperform bunds. Matif's June notional future closed at 123.26, down 0.32, but continued sliding after the official close on Globex, reaching an intra-day low of 123.0. The 10-year benchmark OAT closed down 0.25, at 105.88. The 10-year yield spread over bunds stood at 4 basis points at the

But earlier in the session, as bunds reacted more violently than other markets to the bearish US data, this spread momentarily reached the zero level, which apparently led some market participants to take profits on convergence trades initiated earlier this

One trader attributed the widening of the 10-year spread to profit-taking and predicted that the narrowing trend would resume in the coming days. He believes OAT yields will soon be trading through those of bunds, as foreign investors gradually return to the French market.

The French Treasury yesterday auctioned 2 tranches of 10-year OATs: FFr9.6bn of the existing benchmark, the 7% per cent bonds due 2006, and

With an outstanding amount of more than FFr26bn, the Tec 10 seems set to become the benchmark for 10-year floaters in French francs just a few weeks after the launch of the first tranche, replacing the illiquid TME floaters that never gained popularity among

Yesterday's was the first auction of Tec 10 OATs, since the Treasury had chosen to issue the initial tranche through a syndicate in order to guarantee a successful debut. Lead managers were BNP and the Caisse des Dépôts et Consignations.

**■** UK giits were particularly vulnerable, with political uncertainty adding to the bearish sentiment imported from the US, as the market awaited results of local elections.

Liffe's June long gilt future settled at 105%, down %, but fell as low as 104% in after hours APT trading, extending the day's losses to well over a full percentage point.
One US investment bank was

reported to have sold a large number of gilt futures, buying bund futures instead.

Analysts at Yamaichi International Europe believe that the UK market is now likely to focus on the outcome of the local elections. "A loss (for the Conservative Party) of up to 800 seats is discounted. Anything above that would cause the market to sell off", they said yesterday afternoon.

■ Italian bonds also suffered. Liffe's June BTP future lost 0.82 point to close at 113.98, and continued to lose ground on APT, reaching a low of

In the cash market, the 10year spread of BTPs over bunds narrowed slightly to 341 basis points, as the stability of the Italian currency provided some support to the bond market. The lira reached a high of 1,017 for one D-Mark during the day, before weakening to just over 1.021 in the afternoon. | period.

### **April list** of best performers

By Antonia Sharpe

European high-yielding bond markets were the top performers in April, supported by improving Emu prospects, a weakening in the D-Mark and favourable domestic factors, J. P. Morgan said in its monthly report on government bond markets.

Italy was the best performer, gaining 4.78 per cent in local currency terms and 5.13 per cent in dollar terms, as the market rallied ahead of the general election. Italy also outranked other markets in D-Mark and yen terms, showing a return on the month of 9.20 per cent and 8.11 per cent

Other European high-yielders such as Spain, Ireland and Sweden also performed well, boosted by the markets' optimistic response to the meeting in Verona of 15 European Union finance ministers and central bankers in mid-

April. The meeting fanned expectations that bond yield convergence would continue, prompt ing the yield spreads between high-yielders and German government bonds to narrow.

The returns in high-yielding markets were also boosted by domestic factors, such as the increased possibility of an interest rate cut in Italy, a better inflation outlook in Spain and the flow of foreign investment into Irish gilts.

South Africa was the poorest performer on the month, fall-ing 2.96 per cent in local cur-rency terms and 10.68 per cent in dollar terms. J. P. Morgan said Japan was

the only bond market to post a negative return over the past 12 months in dollar terms, of 15.84 per cent, as a result of the near 20 per cent fall in the yen against the dollar in the

## Argentine offer helps put. life back into eurobonds

By Corner Middelmann

The eurobond market sprang back to life yesterday with a slew of US dollar deals and yet another D-Mark offering for Argentina, which has brought its D-Mark borrowings this year to DM3bn\_

In the dollar floating-rate sector, Italy's Crediop Overseas Bank issued \$500m of fiveyear notes, tapping into the positive sentiment towards Italian assets was sparked by the recent election result and reinforced by Moody's recent announcement that it is reviewing Italy's credit rating for a possible upgrade.

Moreover, Crediop capitalised on "the strong demand for floating-rate assets paying Libor-plus yields," said a syndi cate official at UBS, joint bookrunner with J. P. Morgan. 'There's been a shortage of assets, so people have been moving down the credit spec-

Comerica Bank, the 25thlargest US bank in terms of assets, returned to the eurobond market after a 10-year absence with \$300m of five-year

to lead manager Morgan Stanley, it was the first time a US bank has issued bonds at the bank level, rather than the holding company level.

"This means it qualifies for a 20 per cent BIS risk weighting as opposed to the 100 per cent weighting on holding companies," said an official. The

#### INTERNATIONAL BONDS

paper was priced to yield 12 basis points over Libor at the re-offer price, compared with spreads of 15 to 20 basis points on outstanding US bank holding company floaters, he said.

Argentina, meanwhile, edged out even further along the German yield curve with a DM500m issue of 15-year bonds, along with a DM500m three year tranche. Its first 7-year and 10-year D-Mark deals earlier this year were well received, but many dealers doubted that the 15-year issue would have as smooth a ride. While lead manager CS First Boston reported good sales of

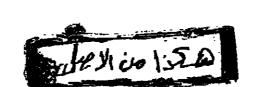
floating-rate notes. According the longer tranche, others said they had failed to see any interest from the retail accounts it was aimed at, despite its 535 basis point spread. The three-year tranche on the other hand saw good retail demand, despite a spread of 275 basis points which some regarded as tight.

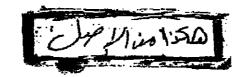
Back in the dollar market, Beta Finance, the triple-A rated investment company, issued \$200m of two-year bonds yielding 10 basis points over Treasuries. They saw good demand from UK institutions seeking short-dated bonds offering a spread over Treasuries and retail investors in Switzerland, where the company roadshowed recently. lead manager SBC Warburg

Germany's Landwirtschaftlich Rentenbank issued another \$200m of two-year bonds which was priced at 1 basis point below Treasuries but widened to 3 over by the end of the day. It attracted buyers seeking to lock in the 6 per cent coupon for two years. according to Nomura which jointly led the deal with UBS.

Bayeriache Hypotamik   200   6.125   98.981R   Jun   1998   0.15R   +10(51454-98)   Baer Steame/SocGen   200   6.00   98.882R   Jun   1998   0.15R   +10(51454-98)   Baer Steame/SocGen   200   6.125   98.98R   May   1998   0.125R   +10(51454-98)   SEC Warburg   Grupo Bectra   100   (c)8   (c)R   May   2001   - 4025(8145-01)   Beer Steams & Co   Credit National(d)t   100   (d1)   99.84R   Nov 2005   0.40R   +275(5145-01)   Beer Steams & Co   Morgan Steriley & Morgan Steri	NEW INTERNATIONAL BOND ISSUES							
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30							+10(5%%-98)	
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RULDERS  RUL	-MARKS	<del></del> -	_					
LULI DESS Seutache Finance Neiths 125 (e) 99.83R Jun 2003 0.30R +5(51/2%-03) Deutsche Morgan Grente FALIAN LIRE SK 200bn 9.00 101.515 Jun 2003 1.875 - IMI Bank Luxambourg eutsche Bank Finance(t) 100bn 8.25 97.12 Jan 2004 2.00 - Deutsche Morgan Grente EW ZEALAND DOLLARS ocGen Australie 100 9.00 101.00 May 1898 1.25 - Hembros Bank ELIGIAN FRANCS -Cars, Class A(g)t 14.287bn (g1) (g1)R May 1898 0.25R - BBL/Goldman Sachs loading-rate note. #Semi-amusi coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mith Libor +100p. b) 3-mith Libor +250p. p) 50% for 11/8 With \$250m. Plus 10 days accrued. Cafebbe from Nov 2000 at per. d1) 3-mith Libor +500p to 100 then +1250p. e) 51/4 to 11/8 With \$250m. Plus 10 days accrued. Cafebbe from Nov 2000 at per. d1) 3-mith Libor +500p to 100 then +1250p. e) 51/4 to 11/8 With \$250m. Plus 10 days accrued. Cafebbe from Nov 2000 at per. d1) 3-mith Libor +500p to 100 then +1250p. e) 51/4 to 11/8 With \$250m. Plus 136 days accrued. g) Legal maturity: May 01.  1450p max, average life 1.4 yrs. g1) Priced on May 7th to yield 3-mith Libor +12%-15bp. g2) Class M: BF/713m, 3-mith L 150p max, average life 1.5 yrs. i) Over Interpolated yield. i) Long 1st coupon.  1500			7.00					
Subsche Finance Neths 125 (e) 99.83R Jun 2003 0.30R +5(51/2/-03) Deutsche Morgan Grante ALIAN LIRE Subsche Bank Finance(t) 100bn 8.25 97.12 Jun 2003 1.875 - IMI Bank Luxembourg subsche Bank Finance(t) 100bn 8.25 97.12 Jun 2004 2.00 - Deutsche Morgan Grante EW ZEALAND DOLLARS ociden Australie 100 9.00 101.00 May 1836 1.25 - Hambros Bank ELIGIAN FRANCS - Cars, Class A(g)t 14.287bn (g1) (g1)R May 1999 0.25R - BBL/Goldman Suche had terms, non-callable unless stated. Yield apreed (over relevant government bond) at leunch supplied by lead manage outling-rate note. #Semi-annual coupon. R: fixed re-offer price; feet shown at re-offer level. a) 3-mth Libor +10bp. b) 3-mth Libor -60bp to 100 then +125bp. e) 54% to 11/400, then 74%. f) Funglie with 1.30bp. Pus 136 days accuract. Caliable from Nov 2000 at per -(t) 3-mth Libor -60bp to 100 then +125bp. e) 54% to 11/400, then 74%. f) Funglie with 1.30bp. Pus 136 days accuract. g) Legal maturity: May 01.  Sept. Tindices  Wed Accured xd adt. — Low coupon yield — Macfetted coupon yield — High coupon yield in May 1 Interest yid May 2 May 1 Yr. ago May 2 May	epublic of Argentina	500	11.75	99.00R	May 2011	1.50R	+535(1)	CSFB-Effectenbank
SK 200bn 9.00 101.515 Jun 2003 1.575 - Mil Bank Luterabourg outsiche Bank Financett 100bn 8.25 97.12 Jan 2004 2.00 - Dautsche Morgan Grente EW ZEALAND DOLLARS ocean Australia 100 9.00 101.00 May 1938 1.25 - Hembros Bank ELGIAN FRANCS - Cars, Class A(g)t: 14.287bn (g1) (g1)R May 1999 0.25R - BBL/Goldman Sachs Intel terms, non-callable unless stated. Yield apreed (over relevant government bond) at launch supplied by leat manage outing-rate note. \$5amil-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mith Libor +10bp. b) 3-mith Libor +10bp. c) 7hreb Liarer. d) Fungible with \$250m. Plus 10 days accused. Calleble from Nev 2000 at per. d1) 3-mith Libor +60bp to 00 then +125bp. e) 5½% to 11/6/00, then 7½%, f) Fungible with L300bn. Plus 136 days accused. g) Legal materity: May 01. senulp call. Expected swarage Bits 1.4 yrs. g1) Priced on May 7th to yield 3-mith Libor +12½-16bp. g2) Class M: BR773m, 3-mith L5bp max, average 8th 1.5yrs. f) Over Interpolated yield. f) Long 1st coupon.  SST INDICES  Wed Accused xd adf. — Low coupon yield — May 1 Yr. ago May 2 May 1 Yr. ago May 3 May 1 Yr. ago May 2 May 1 Yr. ago May 3 May 1 Yr. ago May 3 May 1 Yr. ago May 2 May 1 Yr. ago May 3 May 1 Yr. ago May 3 May 1 Yr. ago May 2 May 1 Yr. ago May 3 May 1 Yr. ago M		125	(e)	99.83R	Jun 2003	0.30R	+5(61/216-03)	Deutsche Morgan Granfell
Service Bank Finance(f) 100bn 8.25 97.12 Jan 2004 2.00 Deutsche Morgan Grente EW ZEALAND DOLLARS oction Australia 100 9.00 101.00 May 1936 1.25 Hambros Bank ELGIAN FRANCS  Cars, Class A(g)t 14.287bn (g1) (g1)R May 1999 0.25R BEL/Goldman Sachs mai terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manage outling-rate note. Stemi-amuse coupon. R. fixed re-offer price; fees shown at re-offer level, a) 3-mith Libor +100p, b) 3-mith (10bp. c) Priced later. d) Punglible with \$250m. Plus 10 days accorded. Callable from Nov 2000 at per. d1) 3-mith Libor +100p, b) 00 then +1250p, e) 51/9% to 11/8/00, then 7%%. f) Funglible with L300on. Plus 136 days accorded. g) Legal maturity: May 01, senulp call. Expected swarage Bis: 1.4 yrs. g1) Priced on May 7th to yield 3-mith Libor +12½-165p. g2) Class M: BF/713m, 3-mith Libor max, average Bis: 1.5 yrs. i) Over Interpolated yield. i) Long 1st coupon.  SET INDICES  Wed Accrued xd adj.  Low coupon yield Mactions coupon yield High coupon yield May 1 Interest yid May 2 May 1 Yr. ago May 2 May 1 Yr.								
EN ZEALAND DOLLARS  ocGen Australia  100 9.00 101.00 May 1898 1.25 - Hambros Benk  ELGIAN FRANCS  Cars, Class A(g)t: 14.287bn (g1) (g1)R May 1899 0.25R - BBL/Goldman Sachs inal terms, non-callable unless stated. Yield apreed (over relevant government bond) at leunch supplied by lead manage outing-rate note. #Semi-amusi coupon, in their re-offer price; fees shown at re-offer level. #) 3-mith Libor +10bp. #) 3-mith Libor +10bp to 00 then +125bp. #) 45% to 11/8/00, then 7% 6. fi Funglishe with 1.30bn. Plus 186 days accused. #) 3-mith Libor +10bp may 01; 4-mith Libor +10bp. #) 1-mith Libor +10bp may 02 the 1125bp. #) 1-mith Libor +10bp may 03 the 1125bp. #) 1-mith Libor +10bp may 04 the 11/8/00 then 7% 6. fi Funglishe with 1.30bn. Plus 186 days accused. #) 1-mith Libor +10bp may 05 the 1125bp. #) 1-mith Libor +10bp may 05 the 1125bp. #) 1-mith Libor +10bp may 07 the 1125bp. #) 1-							-	
DOG 9.00 101.00 May 1896 1.25 - Hambros Bank  ELGIAN FRANCS  Cars, Class A(g)t: 14.267bn (g1) (g1)R May 1899 0.25R - BBL/Goldman Sachs  inal terms, non-callable unless stated. Yield apreed (over relevant government bond) at leunch supplied by lead manage outing-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. #) 3-mth Libor +10bp. #) 3-mth Libor +00bp to 000 then +125bp. #) 54% to 11/800, then 74% fi. Furngible with 1.30bn. Plus 136 days accused. QL Legat maturity. May 01.  Joseph 125bp. #] 54% to 11/800, then 74% fi. Furngible with 1.30bn. Plus 136 days accused. QL Legat maturity. May 01.  Joseph 125bp. #] 54% to 11/800, then 74% fi. Furngible with 1.30bn. Plus 136 days accused. QL Legat maturity. May 01.  Joseph 125bp. #] 54% to 11/800, then 74% fi. Furngible with 1.50bn. Plus 136 days accused. QL Legat maturity. May 01.  Joseph 125bp. #] 54% to 11/800, then 74% fi. Furngible with 1.5bor not 1.25bp. #] Cleas M: BF/713m, 3-mth Libor recomposition of the first policies of the first	eutsche Benk Finance(f)	10Gbn	8.25	97.12	Jan 2004	2.00		Dautsche Morgan Grenfell
ELGIAN FRANCS  Cars, Class A(g):  14.287bn (g1) (g1)R May 1999 0.25R - BBL/Goldman Sachs nail terms, non-callable unless stated. Yield apreed (over relevant government bond) at launch supplied by lead manage sching-rate note. #Semi-annual coupon. R thed re-offer price; fees shown at re-offer level. 4) 3-mth Libor +100p. b) 3-mth [libor, c] Priced later. 4) Purgible with \$250m. Plus 10 days accrued. Callable from Nov 2000 at per. d1) 3-mth Libor +500p to 100 then +1250p. e) 559% to 11/8/00, then 7%%. f) Fungible with L300m. Plus 138 days accrued. g) Legel maturity: May 01.  Semi-p call. Expected swerze like 1.5yra. f) Over Interpolated Visid. f) Long 1st coupon.  SST INDICES  Wed Accrued xd adf.  Low ocupon yield Macteum coupon yield High coupon yield May 1 Interest yid. May 2 May 1 Yr. ago May 2 May 1 Yr. a								<u> </u>
Cers, Class A(g):  14.287bn (g1) (g1)R May 1999 0.25R BEL/Goldman Sachs nail terms, non-callable unless stated. Yield apreed (over relevant government bond) at launch supplied by lead manage path note. Semi-arranal coupon. R: fixed re-offer price; fees shown at re-offer price	ocGen Australia	100	9.00	101.00	May 1998	1.25		Hambros Bank
costing-nate note. #Semi-amused coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +10thp, b) 3-mth Libor +50thp to 10thp. c) Priced later. d) Fungible with \$250m. Plus 10 days accrused. Calleble from Nov 2000 at per. d1) 3-mth Libor +50thp to 100 then +1250p. e) 51/9% to 11/8/00, then 7%%. f) Fungible with L300on. Plus 138 days accrused. g) Legal maturity: May 01. senuip call. Expected swarage like 1.4 yrs. g1) Priced on May 7th to yield 3-mth Libor +121/-160p. g2) Cleas M: BF/713m, 3-mth Libor max, average life 1.5yrs. i) Over Interpolated yield. i) Long 1st coupon.  ST INDICES  Wed Accrued xd adj.  Low coupon yield Mactium coupon yield High coupon yield May 1 May 1 May 2 May 1 Yr. ago May 2 May 1		14.287bn	(g1)	(g1)R	May 1999	0.25R		BBL/Goldman Sachs
Wed         Accrued         xd ad         — Low coupon yield — — Mischam coupon yield — — High coupon yield interest         ytd         May 2 May 1 Yr, ago M	iceting-rate note, #Semi-er 10bp. c) Priced later. d) Fi, 000 then +125bp. e) 514% leanup call. Expected avera	vivel coupon. R: angible with \$250 to 11/6/00, then age life: 1.4 yrs. g	fixed re-o lm. Plus 10 71/496. f) F (1) Priced o	ffer price; I deys accr unglible wi In May 7th	fees shown a wed. Callebia th L300bn. P to yield 3-mit	et re-offer From No Lea 136 d h Libor +1	· level. a) 3-mth v 2000 at per. ( ays accrued. g)	Libor +10bp. b) 3-mth Lib 11) 3-mth Libor +50bp to N Legal maturity: May 01, 10
Wed         Accrued         xd adf.         — Low coupon yield — — Medican coupon yield — — High coupon yield 6         May 1         Mr. ago May 1         Yr. ago May 2         May 1         Yr. ago May 1         Yr. ago May 2         May 1         Yr. ago May 3         May 2         May 1         Yr. ago May 3         Yr. ago May 4         Yr. ago May 3         Yr. ago May 4         Yr. ago May 4 <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>								
Wed         Accrued         xd ad         — Low coupon yield         — Mediam coupon yield         — High coupon yield           i         May 1         Interest         ytd         May 2         May 1         Yr, ago         May 2         May 1         Yr, ago         May 1         Yr, ago         May 2         May 1         Yr, ago         May 2         May 1         Yr, ago         May 3         Nay 1         Yr, ago         Yr, ago         Nay 2         Nay 1         Yr, ago         Nay 2         Nay 3         Nay 1         Yr, ago         Nay 3	ST INDICES	- <del>-</del> -			-			
May 1 May 1 May 2 May 1 Yr, ago May 2		and safe		Low com	on visid	- Mades	COURSE WALL	High courses while
	122.05 2.75	272 5 vrs	7.1	56 7.47	8.29	7.59	7.51 8.35	7.71 7.62 8.49
	145.70 2.79					8.33	8.22 8.38	8.40 8.31 8.58

WORLD DOUB DRIVES		
WORLD BOND PRICES		
BENCHMARK GOVERNMENT BONDS  Red Day's Week Month	BUND FUTURES OPTIONS (LIFFE) DN250,000 points of 100% Strike ————————————————————————————————————	FT-ACTUARIES FIXED INTEREST INDICES  Price Indices Thur Day's Wed Accrued xd add. — Low coupon yield — — Madieum coupon yield — — High coupon yield —
Coupon Date Price change Yield ago ago	Price Jun Jul Aug Sep Jun Jul Aug Sep	UK Gilles May 2 change % May 1 Interest ytd May 2 May 1 Yr, ago May 2 May 1 Yr, ago May 2 May 1 Yr, ago
Australia 10,000 02/06 107,9530 - 8,79 8,78 8,94 Austria 8,125 02/06 97,7000 -0,500 6,44 6,38 6,57 Belolum 7,000 05/06 102,6900 +0,040 6,82 6,61 6,83	9650 0.49 0.38 0.58 0.73 0.59 1.40 1.50 1.75	1 Up to 5 years (29) 121.91 -0.11 122.05 2.75 2.72 5 yrs 7.56 7.47 8.29 7.59 7.51 8.35 7.71 7.82 8.49 2 5-15 years (19) 144.80 -0.82 145.70 2.79 3.36 15 yrs 8.30 8.21 8.30 8.33 8.22 8.38 8.40 8.31 8.56 3 Over 15 years (8) 158.82 -0.85 160.34 3.54 3.48 20 yrs 8.36 8.28 8.28 8.38 8.44 8.34 8.51
Canada 8.750 12/05 108,0600 -0.350 7.84 7.75 7.67	9700 0.27 0.25 0.42 0.85 0.87 1,77 1,94 2,07 Set. vol. toni, Calis 16870 Puls 17831. Previous day's open int., Calis 214726 Puls 170189	4 Irredoemables (6) 183.71 -0.58 184.75 4.71 1.47 Irred.† 8.36 8.31 8.36
Denmark 8.000 03/08 104.2800 -0.850 7.37 7.22 7.51 Prance BTAN 5.750 03/01 100.8750 -0.150 5.55 5.56 5.94 OAT 7.250 04/06 105.8800 -0.250 6.43 6.43 6.43 6.73	Italy	5 All stocks (57) 140.74 -0.50 141.44 2.83 3.14
Germany Bund 6.000 02/06 96.6900 -0.700 6.47 -6.87 6.48	E NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES (LEFE) Lin 200m 100ths of 100%	Index-Enland May 2 May 1 Yr. ago May 2 May 1 Yr. ago
Reland	Open Sett price Change High Low Est. vol Open Int.	6 Up to 5 years (1) 195.63 - 195.64 0.15 4.48 Up to 5 yrs 2.61 2.60 3.29 1.23 1.21 1.83 7 Over 5 years (11) 186.46 -0.41 187.22 1.32 1.33 Over 5 yrs 3.75 3.71 3.74 3.54 3.51 3.55
No 182 3.000 09/05 97.0550 -0.170 3.42 3.38 3.21	Jun 114.90 113.98 -0.04 115.03 113.98 50786 84034 Sep 114.10 113.35 - 114.11 113.53 159 878	8 All stocks (12) 186.54 -0.40 187.28 1.30 1.40
Netherlands 6.000 01/06 97.3400 -0.480 6.37 6.30 6.52 Portugel 11.875 02/05 117.4000 -0.130 6.52 8.91 8.65	II ITALIAN GOVT. BOND (BTP) PUTURES OPTIONS (LEFE) Lis200m 100ms of 100%	Average gross redemption yields are shown above. Coupon Bands: Low: 0%-79%; Medium: 8%-10%%; High: 11% and over. † Ret yield, ytcl Year to date,
Spein 10.150 01/06 0.0000 - 0.00 9.08 9.84 Sweden 8.000 02/05 85.8540 -0.880 8.37 8.24 8.86	Strike CALLS PUTS PUTS Price Jun Seo Jun Seo	
UK Gibs 8.000 12/00 101-31 -12/32 7.48 7.33 7.38 7.500 12/08 95-11 -28/32 8.16 7.99 8.06	11350 1.20 2.09 0.72 2.24	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES
9.000 10/08 105-21 -31/32 8.28 8.10 8.18 US Treasury 5.825 02/08 91-26 -28/32 6.78 8.59 6.28	11400 0.92 1.85 0.84 2.50 11450 0.68 1.62 1.20 2.77	May 2 May 1 Apr 30 Apr 28 Apr 26 Yr ago Hight Low* May 1 Apr 30 Apr 28 Apr 26 Apr 25
8.000 02/26 87-21 -35/32 6.99 6.84 6.62 BCU (French Govi) 7.500 04/05 103.8300 -0.840 6.91 6.77 7.25	Est. vol. total, Calls 3617 Puts 1616. Previous day's open int., Calls 73176 Puts 91527	Govt. Secs. (UK) 92,05 92,47 92,57 92,71 92,76 92,42 96,34 91,97 GBt Edged bargains 97,6 98,2 80,4 97,5 120,0 Fixed interest 112,83 112,72 112,78 112,83 112,32 111,24 115,23 110,74 5-day average 96,8 100,9 105,8 110,2 106,6
London closing, "New York mid-clay Yekin: Local muster standard.  † Gross (including withholding tex at 12.5 per cent payable by nonresidents)	Spain	* for 1996, Government Securities high since complication; 127.4 (ISM1/ISS), low 48.16 (ISM1/ISS). Fixed Interest high since complication; 138.87 (21/IN/ISS), low 50.53 (ISM1/ISS). Beath 100; Government Securities 15/10/26 and Fixed Interest 1928. SE authory indices returned 1974
Prices: US, UK in 32nds, others in decimal Source: MMS Interregional	MOTIONAL SPANISH BOND FUTURES (MEFF)  Open Sett price Change High Low Est. vol. Open int.	
US INTEREST RATES	Jun - 96.83 +0.24 99.16 98.52 49,717 46,867	FT/ISMA INTERNATIONAL BOND SERVICE
Latest Treasury Bills and Bond Yields Cast month	UK	Listed are the letest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pag on May 2
Prince rate         62s         Ties month         4.99         Tirme year         6.26           Bruker loss rate         7         Tirme somth         5.12         Five year         6.50           Fed facilities         58c         Six month         5.21         10-year         9.78           Fed hands at honovaction         - One year         5.65         30-year         6.58	NE NOTIONAL UK GILT FUTURES (LIFFE) 250,000 32nds of 100%	jessed Bid Offer Chg. Yield jessed Bid Offer Chg. Yield lessed Bid Offer Chg. Yield
Broker loss rais	Open Sett price Change High Low Est, vol Open Int. Jun 108-07 105-05 -0-30 108-10 104-24 61511 121889	U.S. DOLLAR STRAIGHTS Sweeden 8 97
	Sep 104-11 104-05 -0-30 104-11 104-11 20 200 B LONG GALT FUTURIES OPTIONS (LIFTE) 250,000 64ths of 100%	ASN Area Sents 74, 05
	Strike —— CALLS ———— PUTS ———	Alberta Province 79, 88
BOND FUTURES AND OPTIONS	Price Jun Jul Aug Sep Jun Jul Aug Sep   105	Austria 8°2 00 400 1057g 105 -1 8.65 SWRSS FRANC STRAIGHTS Hereon 10% 67 8 500 1043g 1042g 7.07 Backen-Hiberta 1-Fto 8°4 00 1000 1042g 1045g -1, 6.71 Asken Day Bank 0 16 500 35 36%g -1, 5.31 MSSC Heidings 11 69 72 F 138 1141b -1 144b
	106	287 Refy 10 <sup>12</sup> 14 £
France	Est. vol. totsi, Calls 5325 Puts 2371. Previous day's open int., Calls 36445 Puts 38230	Septim 75 05
NOTIONAL FRENCH BOND FUTURES (MATIF) FF1500,000	Ecu	Bittish Gas 0.21
Open Sett price Change High Low Est. vol. Open int. Jun . 123.48 123.26 -0.32 123.66 123.18 144,678 157,484	IN ECU BOND FUTURES (MATIF) ECUTIOD,000  Open Sett price Change High Low Est. vol. Open int.	Canada 6 <sup>1</sup> 2 97 2000 100 <sup>3</sup> 2 100 <sup>3</sup> 8 - <sup>1</sup> 8 600 beland 7 <sup>3</sup> 2 00 100 114 <sup>1</sup> 2 115 3.85 Toley Dec Program 10 0 100 <sup>3</sup> 100 11 and
Sep 122.00 121.78 -0.32 122.08 121.70 1,004 11,036 Dec 120.80 120.59 -0.32 120.80 120.72 38 6,110	Jun 91.76 91.18 -0.58 91.76 91.12 1,943 7,850	500 110% 111% 4.25 World Bank 12½ 97 NZ 250 100% 100% 9.59
III LONG TERM FRENCH BOND OPTIONS (MATIF) (Apr 30)		Dentrark St. 281000 89 99 41 4 6.28 SNOF 7 04 450 1172 118 _4 446 Dentrark 52 99 FT 7000 1014 1010 _4 5.50
Strike ————————————————————————————————————	US  US TREASURY BOND FUTURES (CET) \$100,000 32nds of 100%	BB 604 500 956 857 2 7.08 World Bank 0 21 700 27 8 27 4 4 5.34
120 0.05	Open Latest Change High Low Est, vol. Open Int.	Brot 06 Finds 9 8
121 2.39 0.12 122 1.52 0.77 1.27 0.28 0.77 1.27	Jun 109-04 108-04 -1.00 109-08 107-31 346,261 342,846 Sep 108-16 107-19 -1.00 108-22 107-14 7,072 27,108	
128 0.75 0.37 - 0.58 0.37 - 124 0.29 0.15 0.50 1.02 0.15 0.50	Dec 107-22 107-01 -1.02 107-22 107-01 53 5,889	Fed Home Loan 74 99 1500 102 102 14 6453 586 64 00 100000 1154 1155 1. 244 Carada 4 89 2000 00 50 50 50 50 50 50 50 50 50 50 50
Bat, vol. total, Callo 9,527 Puta 23,361 . Previous day's open lot., Callo 134,781 Pota 160,490.	Japan .	The late of the control of the contr
Germany	NOTIONAL LONG TERM JAPANESE GOYT, BOND FUTURES (UFFE) Y100m 100ths of 100%	Semenal Mills 0 13 1000 23 24 -12 8.87 Naty 5 04 200000 110 1104 44 3.83 Credit Lycorosis 030 98 1250 100.02 100.11 6.7853
IN NOTIONAL GERMAN BUND FUTURES (LIFTE) DM250,000 100ths of 100%  Open Sett price Change High Low Est, vol Open Int.	Open Close Change High Low Est. vol Open Int.	Mary Amer Dev 84 06 1000 834 834 - 7 7.23 Japan Dev 88 69 07 120000 1184 11854 _ 2 22 Devoter Finance 4 98 DM 1000 100.01 100.09 3.2812
Jun 97.01 96.40 -0.52 97.09 95.12 211861 194676	Jun 117.59 117.75 117.55 2812 0 Sep 116.43 116.54 116.43 334 0	300 372 873 1528 Spain 54 12 125000 1141 <sub>2</sub> 1141 <sub>3</sub> 1 <sub>4</sub> 309 Feiro of Set 0.10 97 420 100.14 100.26 5.7500
Sep 95.74 95.48 -0.53 95.74 95.45 985 9598	* LIFTE futures also tooled on APT, At Open interest figs, are for previous day,	bby 67, 23
UK GILTS PRICES		Kone Bec Power 85 03 1500 10002 10012 55430
	· · · · · · · · · · · · · · · · · · ·	Onessio 75g 03 3000 1015g 1017g -12 7.19 1/8 Deat inclusible 85g 03 LFr 3000 1084 1074g 727 LKS Baden-Winet Fig. 1-98 1000 98.08 1000 98.08
Yeld	Miles (1) (2) Price 2 + or — High Low Notes (1) (2) Price 2 + or — High Low	Portugal 54, 03
Sherit" (Lines up to Fine Years) Trees 8 1 <sub>2</sub> 90 2005(† 8.29 Sant 12 Lee 10001† 13 21 7 61 1004 - à 1004 1004 Trees 21cm 20001† 7.00	8.12 102 <sup>1</sup> 2 109頁 99頁 indox-linked 9.4 8.16 95頁	Outbet Prov 9 98 200 1044 1042 4 8.64 5dl Careach 145 99 C\$ 5D 1055 1104 744 Nove Scote & 99 500 2008 17004 5 17
Tress 20c 1986 0.92 5.73 218 218 2062 Tress 74pc 200655 7.99 Commistra 10pc 1996 9.79 5.92 1023 1042 1025, Tress 20c 2024 017	Z-200 00	SNCT (P) 98
Bach 10/apr: 1997 10.15 6.06 10545 1058 1004 Trees 11 Apr: 2003-7 9.87	8.19 886 41 1044 554 450 144 (1350 329 336 144 4 145 172 172 172 172 172 172 172 172 172 172	Seeden 69 03 2000 97% 97% - 7.11 Elec de Prance 9% 98 CS 275 107% 100% 1 7.05 Sweden 0 98 1500 94.97 100.00 55895
Trum 84.00 1987;; 8.50 6.40 102]] -\(\delta\) 104\(\delta\) 101\(\delta\) True 134:00 2004-8 10.30	8.10 1514 -12 1364 1294 2296 11	Tennesses Valley 81 05 2000 9514 9514 -1; 7.22 Neppon Tel Tel 1014 99 CS 200 90914 100541. 741
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MARKETS REPORT

# \*US dollar falls after stronger than expected data

By Graham Bowley

rising inflation.

The dollar slid on the foreign exchanges yesterday after stronger than expected economic figures hit US government bond and equity markets.

It weakened most against the yen, as the data fuelled speculation that the US Federal Reserve might have to raise

The dollar also lost ground against the D-Mark as this found some support from strong industrial production data. The D-Mark however weakened sharply against the

The pound held firm despite uncertainty surrounding the UK local elections in which the ruling Conservative government was expected to suffer

The Swiss franc weakened across the board. Analysts said the currency now looked vul-nerable to further declines against the dollar, D-Mark, yen

and pound.

The Swedish krona lost ground due to expectations of slower economic growth and amid rumours of large invest-ment flows from the krona into the Finnish markka Analysts said the markka had been buoyed by rumours that Fin-land was considering joining the European exchange rate interest rates soon to head off

The dollar finished in London at Y104.675, from Y105.115 at the previous close. Against the D-Mark, it finished at DM1.5328, from DM1.5336.
The D-Mark closed against the yen at Y68.38, down from Y68.54.

Sterling finished against the D-Mark at DM2.2982 from DM2.295. Against the dollar, it closed at \$1.4994, from \$1.4965.

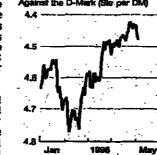
Pound in New York 1.4925 1.4917 1.4904 1.4885 The trade weighted index rose to 83.7, from 83.5. The tensions between the D-Mark and dollar had little impact on European cross rates, with most currencies holding firm against the D-Mark. The Bundesbank left interest rates unchanged after

its regular council meeting. ■The stronger than expected data on GDP, initial claims and factory orders would normally have been supportive of the dollar, but the currency fell sharply as US Treasuries and

The data indicated a stronger economy than most analysts had expected and than investors and traders had been positioned for. Mr Steve Hannah, head of

research at IBJ International in London, said: "The markets are now coming to the view that the Fed will have to raise interest rates sooner rather than later."

Mr Jeremy Hawkins, chief



economist at the Bank of America in London, said the dollar's failure to appreciate despite the strong figures was due to worrying details of the data which showed a worsening net exports position, which threatened to cap the dollar's

"If it is the case that the US economic cycle is more advanced than in Europe and

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elsewhere then the US current account deficit could become a sucked in," he said. The dollar had been bought relatively aggressively ahead

■ One of the main issues occupying the markets at present is the extent to which the US, and particularly Japan, remain committed to a stronger dollar. One analyst with access to

the Japanese Ministry of Finance said Japanese officials were surprised that US hedge funds were selling the dollar, as they believed monetary policy was not set to change soon. He said market disappoint-

ment at lack of Bank of Japan

intervention to support the dol-

lar missed the point. He said: "Timing is everything and the market is not short [of dollars]. It is a matter of tactics rather than policy." He said no level for the dollar on the downside was sacro-

sanct, although the BOJ would

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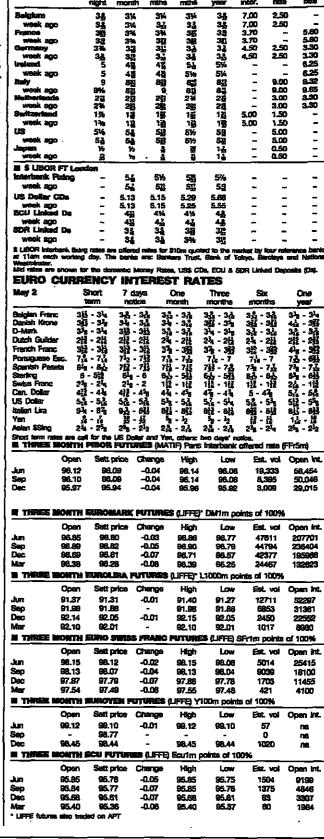
Mr Paul Chertkow, head of global currency research at UBS, said: "The BOJ and MOF have had no lessening of resolve to get recovery of the Japanese financial system through lower interest rates

■ The Swiss franc fell to what analysts described as "techni-cally vulnerable" levels against

and a firmer dollar."

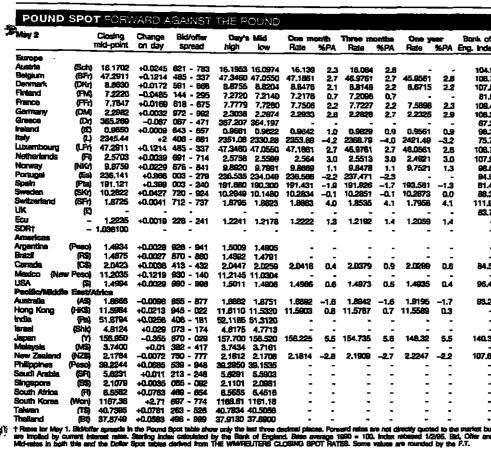
a number of currencies. Mr Tony Norfield, UK treasury economist at ABN Amro in London, said the Swiss franc's current level was "at odds with the very weak economy, low interest rates and the stated intent of the Swiss authorities that they want a weaker currency".

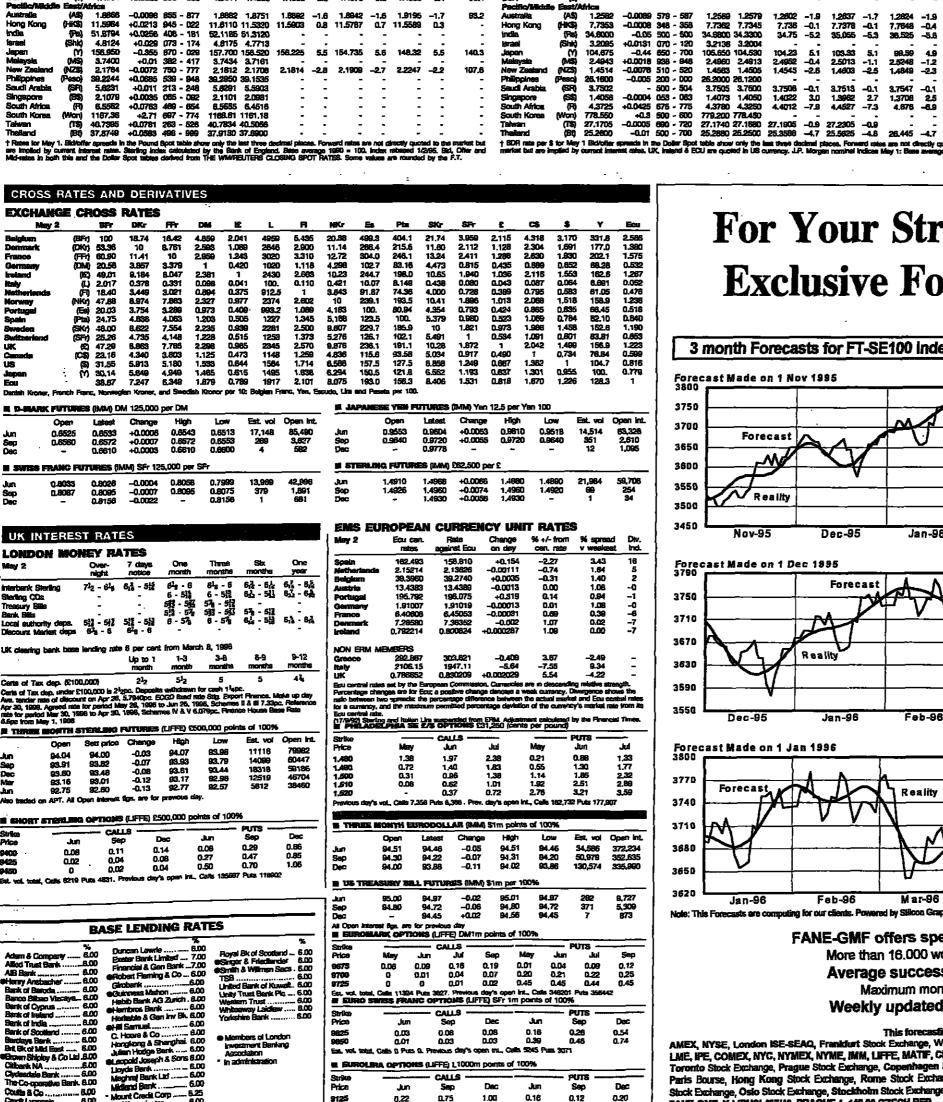
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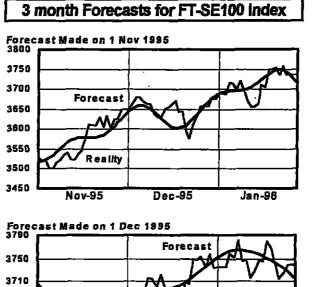
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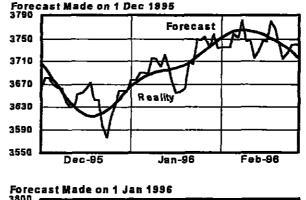
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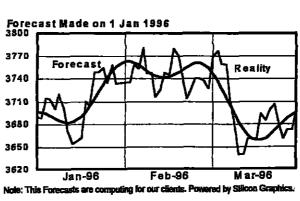


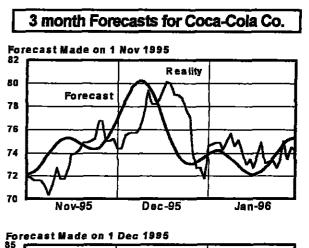


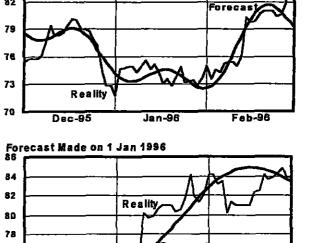
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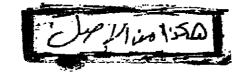
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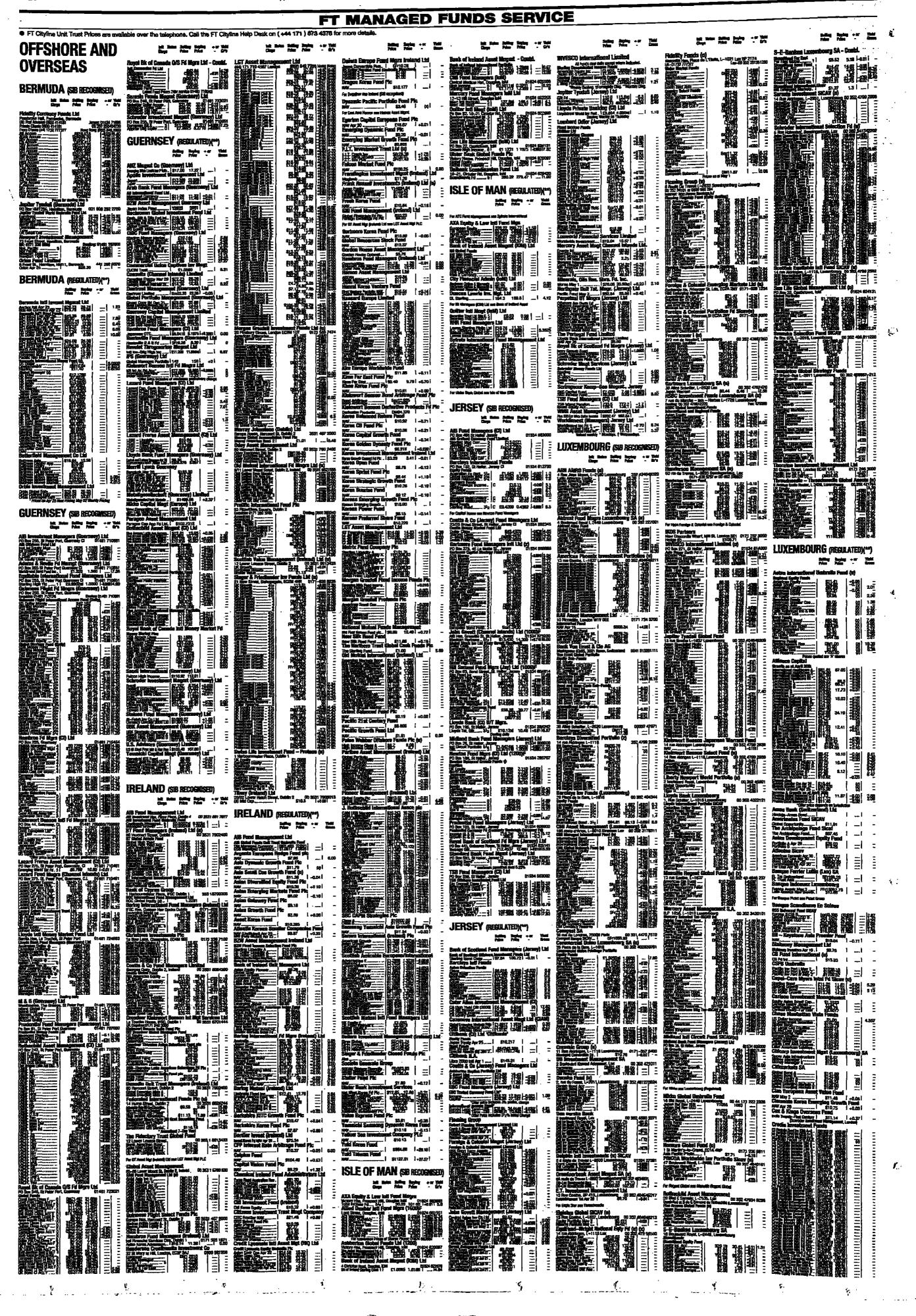
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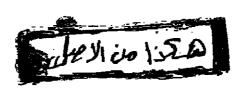
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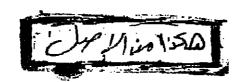
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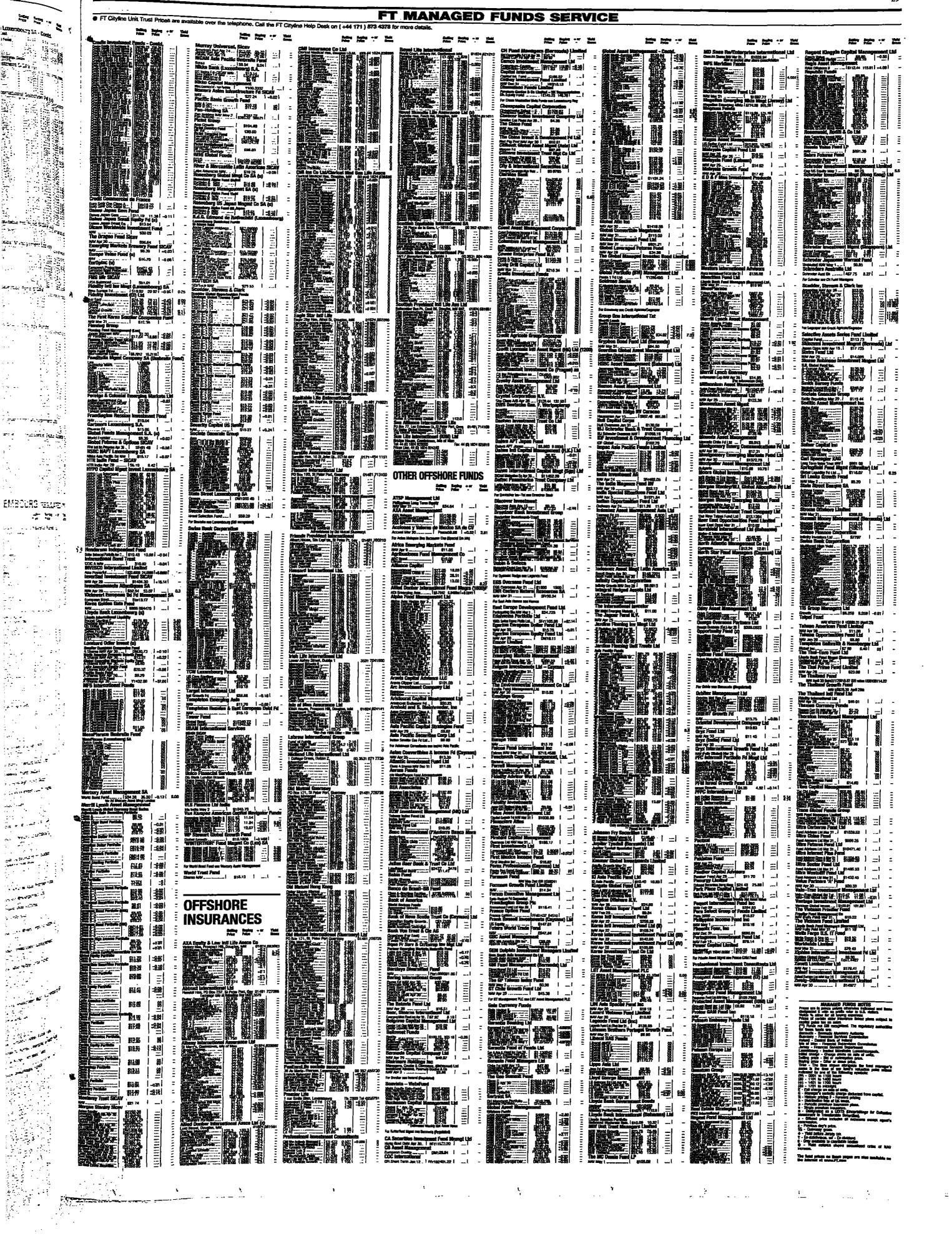
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#### LONDON STOCK EXCHANGE

MARKET REPORT

### Sequence of blows sees Footsie crumple

By Steve Thompson, UK Stock Market Editor

An early powerful showing by UK equities was blown to pieces by the close of trading yesterday, as the market was hit by a series of damaging blows.

These included much stronger than expected economic news from the US. which hit the Treasury bond market and Wall Street, and a statement from the government emphasising that it will enforce its golden shares regarding the two English generators, National Power

position included a profits warning from Great Universal Stores and a growing feeling among dealers that the outcome of the local elections. could be even worse than some of the arch-doomsters have been predicting.

And political rumours grew in intensity as the day wore on, with talk of a snap general election in June also circulating around the City's trading desks.
Up more than 23 points and seem-

ingly comfortably clear of the 3.800 level in mid-morning, the FT-SE 100 index subsequently plummeted to end a shock laden trading session a net 29.6 lower at 3,776.4. The dammarket's increasingly vulnerable age wrought across the market was

much less severe in the second lin- most serious damage seen in C&W. ers, where the Mid 250 index eased 2.4 to 4.537.7.

causes the most damage to the London market was delivered after the market closed with news that the long running merger talks between BT and Cable and Wireless have been terminated.

The potential merger of the two telecoms giants had been one of the main driving forces behind the UK market's move to record levels last month.

morning could knock at least 15 to afternoon with news that the flash

They added that the impact on a much stronger than expected 2.8 sentiment caused by the telecoms What could well be the blow that news could be much worse this morning. ADRs in both stocks were down some 4 per cent during trad-

ing on Wall Street. The doom and gloom at the close was in sharp contrast to the market's early performance, when the FT-SE 100 was sailing along bappily and the market was once again talking about the potential for more bids in the utilities.

Sentiment in the market began to Dealers said that expected heavy turn around midday, but the first falls in both BT and C&W this real blow was delivered in the early 20 points off the FT-SE 100, with the figure for US gross domestic prod-

GUS said profits should be in

the range of £578m to £581m

and most analysts downgraded

their forecasts, which had been

One analyst said the warning

in the £580m to £600m range.

should not have come as a sur-

prise as the recovery in the

retail sector was being led by

durables and mail order had

Several analysts believed the

Body Shop jumped 19 to 179p

after its annual results showed

an aggressive dividend policy

by a company that has lagged

There was no hiding the market's disappointment with food retailer Kwik Save, which

yesterday reported interim fig-

ures below the market's lowest

expectations.
The shares lost 40 to 428p,

the day's worst performer in

behind in terms of yield.

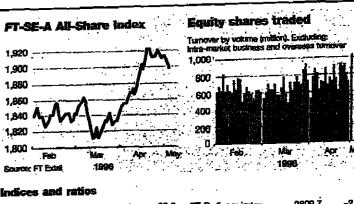
heen encountering problems.

market had overreacted.

uct in the first quarter came out at per cent. The Dow Jones Industrial Average dropped some 40 points in early trading.

Strategists now fear that the April non-farm payroll report, tradi-tionally one of the most potent economic pointers to the US economy, will show another big rise in new jobs.

Such news could accelerate the chances of a rise in US interest rates, it was feared, and make traders cautious. "With London closed on Monday, marketmakers will be reluctant to go home on Friday night with any long positions, remarked one market observer.



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(API)

Other Financial Household Goods

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**FUTURES AND OPTIONS** 

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### Telecom takeover shock

Shock news that telecoms giant BT had terminated nerger talks with Cable and Wireless came after market hours, but traders were bracing themselves for a frantic

ession today. A consensus suggested that BT could open some 20p lower this morning and that the abandonment of negotiations could leave C&W trailing by up to 600.

However, there was also plenty of betting that the bid story was far from over. "C&W remains firmly in play. BT might have scratched from the race but there are other potential runners," said one analyst.

Last night, traders were reassessing other potential preda-tors. Deutsche Telekom, AT&T and German utility Veba which has a 10 per cent stake in C&W - were the most talked about candidates.

BT closed off 8 at 352p, mostly pushed lower by the general shakeout in equities. C&W ended 31/2 better at 524p.

#### Power setback

A chronic case of the political litters was one interpretation behind the government's commitment to retain its golden share in the generators.

The share prevents a single investor from owning more than 15 per cent of either National Power or PowerGen, and yesterday's announcement

effectively killed off the approach for the former by Southern, of the US. Share prices responded. National Power dropped 32 to 527p and

PowerGen 12 to 536p. Mr Angelos Anastasiou of Panmure Gordon commented: Terhans the government sees it [a sale to an overseas buyer] as not being good in the run-up to a general election."

Mr Philip Hollobone of Williams de Broë pointed out that the generators were now in a quandary following the equally surprising decision last week that the trade and industry secretary had vetoed their respective bids for regional electricity companies (recs). They cannot bid and they cannot be bid for," he said. However, he believes that the market only focused on one side of

the argument. "They will be left with a pile of cash and at this price I would not think shareholders should sell," he said.

He believes that with the bid premium now eroded, investors can look forward to some sort of a cash distribution with the companies' figures in three weeks time.
The sidelining of the gener

ators shifted the spotlight back to the remaining independent

East Midlands advanced 10 to 624p, London 13 to 826p, Yorkshire 7 to 817p, Northern 6 to 647p, Southern 4 to 830p and Midlands 5 to 385p.

#### **CU** recommended

Commercial Union moved smartly forward with the help of a vigorous push from one broker and some background

Credit Lyonnais Laing, which had previously seen the stock as the best of a bad lot in the sector, turned more enthustastic after taking a close look at some encouraging first-quarter figures announced on

Wednesday. Also, SBC Warburg was advising clients to switch from Prudential into CU on valua-

tion grounds. Finally, there was a ripple of bid talk. Société Générale was cited as a potential suitor, due to its stake of just under 6 per cent in Commercial Union, and so, bizarely, was Royal Bank of Scotland, which fell 11 to 498p. CU rose 17 at one stage and ended 9 up at 590p, while Pru

#### **GUS warning**

Great Universal Stores

lunged 30 to 687p after the	the FT-SE Mid 250 index.
ormally reticent group issued	The company's meeting with
stark profits warning.	analysts was said to have been

	May 2	May 1	Арт 30)	Арт 29	Apr 26	Yr ago	High	Low
Ordinary Share	2809.7	2831.3	2838.6	2835.1	2862.3	2485.7	2635.2	2696.7
Ord. div. yield	3.95	3,92	3.91	3.91	3,88	4.25	4.08	3.76
P/E radio net	16.53	16.87	16.71	16.70	16.84	16.53	17.25	15,98
P/E ratio nil	18.31	18,44	18.48	18,47	16.61	16,33	17.03	15.7€
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SEAO bargains	32,540	31,2	92	31,851	34,01	18 3	3,337	27,39
Southy turnover (Emit)	_	162	20	2224,5	1598	.9 1	950.5	1614.0
Equity bergainst	_	. 35,3	100	40,148	41,42	21 3	8,851	39,413
Shares traded (mil)	-	- 60	5.1	1010.2	727	.7	802.4	847.

May 1 Apr 30 Apr 29 Apr 26 Yr ago "High 1095,00 1065,10 1085,30 1065,90 - 1065,00

Rises and fails'		52 Week highs and lows	LIFFE Equity options	
Total Rises	599	Total Highs 204	Total contracts	36,824
Total Fells	729	Total Lows 13	Calls	17,283
Same	1.444		l Puts	19,661

"disappointing" and one analyst said: "The outlook for the second half looks gloomy. That fact, together with the poor figures, triggered a wave of profits downgrades in the shares. The list of cuts included NatWest Securities. performance. which reduced its full-year

forecast by £18m to £84m. Among property stocks, Argent was a feature after Warburg Pincus, a US investment group which holds the hierest stake in the company,

reduced its holding. Cazenove, the company's broker, was said to have taken on the 14.7m shares (around 24 per cent of the group's equity) and placed them with a range of institutions at 338p a share. However, the Seaq ticker had yet to register the trade by the time of the official close and there was no change in the group's prevailing share price

Hopes for wider marketing links helped British Airways and the shares shot forward in above average volume.

News that existing code sharing arrangements between KLM and Northwest Airlines might be coming to an end set City transport teams licking their lips at the prospect of BA month BA hooked up on code sharing with America West Airlines. There was also talk that today's traffic figures for April will be relatively favourable. BA rose 5 to 524p. Leading conglomerate BTR

edged lower in heavy turnover as sentiment sagged. The group has been seeing institutions and the message coming from management has been mostly to do with long-term success but relatively tough trading in the meantime. The shares lost 21/4 at 3160.

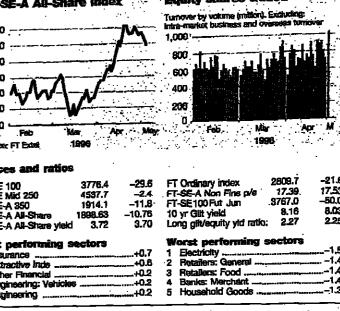
A press report that Boeing had lost the race to help China build a new 100-seat airliner sent British Aerospace spinning higher. The Airbus con-

FT - SE Actuaries Share Indice

founder shareholder, is now thought to be front-runner to pick up what is seen by analysts as a breakthrough contract in an important new market. BAe shares jumped 16 to 879p, the day's best Footsie

Regal Hotels Group, which was trading at 44p prior to suspension in January, returned to the market yesterday and raced up to close at 56p after exceptionally heavy turnover

of 17m. MSB International, the information technology recruitment specialist, made a sparkling debut. Placed at 190p, the shares closed at 243p, with turnover reaching 3.5m.



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# First Quarter Results 1996

At constant rates of exchange, sales increased by 7% over the corresponding quarter of last year. Operating profit grew by 11%, but higher interest and lower prior year tax benefits restricted net profit growth to 6%.

In Europe, continuing difficult market conditions meant that sales growth was modest. Profit grew more strongly but the gain was absorbed in the quarter by a stock write off of UK frozen beef products, a response to public concerns over BSE.

In North America, profits rose sharply. In Foods, the measures taken in late 1995 to avoid high year-end trade stocks led, as anticipated, to an increase in sales in the early months of this year.

Sales growth in Africa and the Middle East was assisted by acquisitions, but profits were held back by unfavourable economic conditions, most notably in the Gulf and Turkey.

RESULTS			
	1996	1995	
	£m uß	antified	RCTELYC
Turnover	7,689	7,188	7%
Operating profit	<b>564</b>	507	11%
Profit before taxation	509	463	. 10%
Taxation	(178)	(154)	
Minority interests	(13)	(8)	•
Net profit at constant 1995 exchange rates	318	301	6%
Profit at exchange rates current in each period			
Profit before taxation	513	460	12%
Net profit	321	300	7%
Combined earnings per share	17.11p	16.04p	. 7%
per 5p of ordinary capital			

In Latin America sales growth was excellent, led by a particularly strong performance in Brazil. The corresponding increase in profits was reduced by the loss on disposal of an oil milling business.

Asia and Pacific delivered a further quarter of strong growth. There were very good performances in India and throughout South East Asia.

At the exchange rates prevailing in each period, net profit increased by 7% in sterling, 3% in guilders and 4% in US dollars.

NOTES

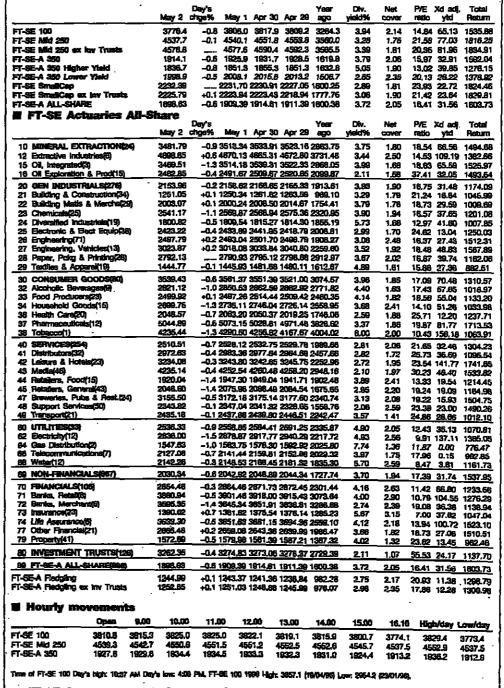
**Acquisitions and Discontinued Operations** 

In the first three months of 1996 the effect on turnover and operating profit of acquisitions made in the period was £41 million and £1 million respectively. There were no discontinued operations in the first three months of 1996 or 1995. Net Debt and Gearing

Net debt, at closing rates of exchange, was £2,782 million at the end of the first quarter, compared to £1,977 million at the same time last year. The increase is mainly accounted for by the funding of acquisitions. Net gearing increased to 32% compared to 25% last year.

The results for the second quarter and first half year of 1996 will be announced on Friday 9 August 1996. This announcement will include interim balance sheet and cash flow information.

For copies of Unilever results statements telephone Freephone 0800 181 891 or write to: Unilever Corporate Relations, P.O. Box 68, Unilever House, London ECAP 4BQ, or PO. Box 760, 3000 DK Rotterdam. For information Unilever, access Internet http://www.unilever.com/



Additional information on the FT-SE Actuaries Share indices is published in Saturday issues.

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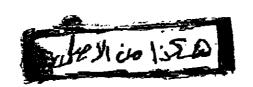
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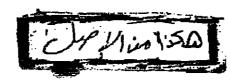
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Mares traded



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Section 1. 10 20 51; 3 15; 4 1	•	Bortand	3514347 16 78 5 512	84, 154, 157 <sub>8</sub> - 42, 41 <sup>3</sup> 2, 41 <sup>3</sup> 4	SouldaPm	12 88	5 10 91	2 922 .	3 Naux	geo	28 1888	32 29	30 -1%	TCI 6pA	73221	31 19 <b>4</b>	19 19	-4
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# after release of GDP data

#### **Wall Street**

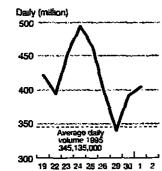
Tumbling bond prices pulled US equities lower in midsession trading yesterday as investors in both markets were surprised by strength in the gross domestic product figures released by the Commerce Department, urites Lisa Bransten in New York.

At I pm, the Dow Jones Industrial Average was off 42.99 at 5,532.23, the Standard & Poor's 500 had fallen 5.95 to 648.63 and the American Stock Exchange composite was down 1.51 at 592.27.

Volume on the New York SE came to 200m shares.

The Nasdaq composite was also lower, indicating that it would not stretch its streak of record closes to eleven. In early trading the Nasdaq fell

#### NYSE volume



5.63 to stand at 1,194.03. The Commerce Department said that GDP grew by 2.8 per cent in the first quarter, much faster than the 1.6 per cent growth most economists had

April 1996

expected. Those figures added to fears that inflationary pressures could emerge and caused broad selling among inflation-wary bond investors. The benchmark 30-year Treasury was 1% points lower by early afternoon with the yield up to 7.015 per

Interest rate-sensitive commercial banks were among the hardest hit sectors. J.P. Morgan, which is a component of

the Dow, receded \$1% to \$83%, Chase Manhattan Bank fell \$1% to \$67%, Citicorp lost \$1% at \$774. Wells Fargo was off \$6 at \$238% and BankAmerica

Cyclical issues, which stand to benefit from a strong economy, held their ground better than shares in consumer goods companies, which are seen as a hedge against economic weakness

cyclical issues fell 0.3 per cent, compared with a 1.4 per cent loss in the counterpart index of consumer shares.

panies included Philip Morris, \$1½ lower at \$89%, while McDonald's lost \$1 at \$47%. Coca-Cola shed \$1% to \$80% and Merck fell \$1% to \$58%.

jumped \$1% or 12 per cent to \$16% on news that the health services company had agreed to be acquired by Olsten for about \$273m. Shares in Olsten slipped \$1% to \$429%.

lyst at Soundview Financial Group had upgraded his investment ratings on their shares. Texas Instruments added \$11 at \$57%, Applied Materials gained \$1' at \$40% and Micron Technology rose \$% to \$37½.

#### Canada

territory in midsession trade. although up from opening lows, and the TSE-300 composite index was 8.43 weaker by noon at 5,142.70 in volume of 50.9m shares.

higher for the third successive session, rising C\$9 to C\$214.

Loewen Group, the funeral executive forecast that earn-

### Mexico swap pleases

news that the government had swapped Brady bonds for 30year global dollar bonds with a rise in the IPC index of 21.34 to

Turnover was 230.9m pesos on 107m shares traded. The government said that the bulk of the \$175bn of new bonds had gone to US insti-

tutions.

Telmex L shares, which make up one-third of the IPC the face of rising US long-term index, strengthened 1.3 per interest rates.

Its ADRs, however, were SAO PAULO was up slightly at midday in quiet trading. The Bovespa index had risen 265.99

### S Africa ahead but off highs

Johannesburg ended a quiet day firmer but off its highs. with golds up on a higher bulfion price and industrials stronger on renewed buying at current lower levels. The overall index was up

16.0 to 6.992.3. industrials gained 17.2 at 8.307.5 and golds rose 19.9 to 1,961.6. The continuing pursuit of

blue chip stocks and randhedge issues by predominantly local investors pushed several share prices to new highs.

Among those hitting peaks, De Beers closed R2.75 higher

at R140.50. Vaal Reefs jumped R11 to a closing high of R435.00 and Western Deep, another gold miner, climbed R3 to R220.00. just 50 cents shy of its record

Heavy turnover was noted in Free State Consolidated Gold Mines, which finished R1.25 better at R49.25, and in the more liquid Iscor, which picked up 4 cents to R3.99.

shed \$1% to \$73%.

The Morgan Stanley index of

Sliding consumer goods com-

Quantum Health Resources

A number of semiconductor companies got a boost from news that an influential ana-

Toronto remained in negative Bre-X Minerals, the gold

property owner, was sharply

Lytton Minerals, the diamonds and gold company, was heavily traded, losing 5 cents

services company, relinquished C\$1.15 to C\$39.05 as the chief ings would be lower in the first quarter, although higher for

## Mexican equities reacted to cent to 12.70 pesos.

down 1.4 per cent at \$34\%.

**BUENOS AIRES** gained some encouragement from Mexico's successful global bond launch. The Merval index was up 3.48 at 569.59. Analysts said Argentine bonds were firm in

Banks eased on technical selling as confidence in the sec-tor weakened. Industrial Bank Y2,730 and Sanwa Bank

Machine, the day's most active issue, jumped Y75 to Y518 and Gun Ei Chemical, a leading

were also sought. Yomiuri Land, which runs a theme park on the outskirts of Tokyo, rose Y20 to Y950 and Tokyotokeiba. the horse race operator, gained

profit-taking. Investors were

# US stocks fall Bourses turn back on US economic statistics

The release of US GDP data scarred the Continent's markets. FRANKFURT, for instance, was steady in the Dax, which closed 2.94 down at 2,502.31, but when the US statistics became available the Ibis retreated steadily to end at 2,465.49, tracking the movement of bonds.

Bremer Vulkan was suspended after falling sharply at the opening of trade on news that a court in Bremen had started bankruptcy proceedings against the company on Wednesday. The shares opened at DM1.03, down 40 per cent from its close on Tuesday. Car issues were seen declining late in the day and traders suggested that some portfolio shifting was going on, with some investors moving away

into construction. Daimler lost DM12.20 or 1.5 per cent at DM820.60 as BMW fell DM16.90 or 2.1 per cent to DM806.05 and Volkswagen eased DM7.50 to DM517.50.

from cars and chemicals, and

PARIS also back-tracked. having reached a year's high in the CAC-40 index during the session of 2,164.15; it ended 9.99 down at 2,136.80. Turnover was a high FFr7 7hn Suez continued to fall after

the company confirmed earlier in the week that it was selling its majority stake in Indosuez efforts to link with the Dutch

Source: FT Exte to Credit Agricole. Suez fell FFr8 to FFr206.10. Danone went against the trend with an advance of FFr19 to FFr800. as the group

reported that Mr Franck

Riboud would succeed his

Share orice (FI)

56 TM

Jan

father as chairman. AGF slipped FFr1.60 to FFr139.50 on reports that privatisation was imminent. There was speculation that the sale could raise FFr10bn for the

AMSTERDAM ended at an all-time high, with corporate news dominating. The AEX index made 2.56 to 558.28, but off an intra-day peak of 560.82. KLM finished up Fl 3.40 at Fl 61.10 as rumours swirled

around the marketolace that its strategic link with Northwest Airlines, of the US, might he about to come to an end. KLM denied the reports that were made in the local media. In a separate development British Airways later said that it would make no comment on reports that it might renew

prospects.

Unilever moved up F1230 to Fl 234.90 on it first-quarter figures, which came in within expectations.

ZURICH finished lower as Nestlė, up SFr29 at SFr1,410.

bucked the trend after it reported higher than expected first-quarter volume growth BBC responded to a firmer

SFr1,505, with investors also continuing to view its first-

Hourly changes FT-SE Eurotrack 100 FT-SE Eurotrack 200

carrier OSM closed F1280 ahead at Fl 174.80 in spite of revealing a 42 per cent decline in firstquarter profits, which was due to lower margins on plastics. However, there was a silver lining as the group said that the second quarter would show an improvement in business

the higher than expected US GDP figures prompted profittaking during the afternoon, and the SMI index was finally 15.2 weaker at 3,635.8.

dollar by rising SFr9 to

quarter results positively. Some second-liners outpaced the market's losses due to their overbought condition and recent exaggerated gains. Adia receded SFr7 to SFr265, Clariant declined SFr10 to SFr435 and Elektrowatt fell SFr9 to

> Pharmaceuticals were mostly weaker on widespread profit-taking and on some uncertainty over whether the EU would open a full investiga-tion in to Ciba-Sandoz.

MILAN turned back from its best levels after another active day's trade which saw some strong demand from US and Italian funds The Comit index was 8.26

ahead at 666.01, while the realtime Mibtel index slipped back from a high of 10,662 to finish iust 15 up at 10.568.

Telecom issues continued to attract attention, with Stet up L51 at L5.324 and Telecom Italia L59 higher at L3,235,

privatisation plan and a share buyback offer, and the stock climbed FM7 to FM74. ISTANBUL leapt 3.5 per cent, THE EUROPEAN SERIES 10 30 11.00 12 00 13.00 14.00 15.00 Close FT-SE Eurotrack 100 1686 19 1686 86 1688.11 1688.23 1689.05 1688 40 1683 18 1681.27 F7-SE Eurotrack 200 1774 11 1723.48 1734.46 1734.05 1736.13 1734.84 1727.55 1725.47

Apr 25

1584.54

1733 73

172451 † Partie

Apr 30

1681 09 1738 15

172801

Apr 29

1685 55 1731 09

L15.1 to L935

sectors.

of FM618m.

March.

dealt.

to T\$60.1bn.

1892.57 1740.61

Most companies involved in

the Gemina-Ferruzzi merger

benefited from news that the

plan would not be carried

through. Ferruzzi rose L6.20 to

L866.8 and Gemina, off its best

level, was still L3.4 higher at

L715.9. Montedison dropped

after the market closed. its

Omnitel mobile telephone unit

HELSINKI was lifted by

The HEX improved on the

overseas interest, especially in

the metals and forest industry

five-month high it had set on

Tuesday, climbing another 1.4

per cent to 1,971.92 in turnover

Overseas interest in metals

helped the metal index rise

almost 4 per cent to an 18-

news earlier in the week of a

April from 7.3 per cent in

Bank of Ayudhya was the

biggest gainer, closing Bt24

ahead at Bt173 on 1.4m shares

TAIPEI noted late buying in

the construction and electron-

ics sectors, but this was not

enough to avert a slide and the

weighted index fell 32.43 or 0.5

per cent to 6.081.71, off a day's

low of 5.996.89. Turnover came

followed by chemicals, textiles.

cements and financials. But

electronics rose 1.6 per cent,

SYDNEY surrendered early

Paper shares fell the most,

Valmet was again strong on

month peak of 2,636.04.

reported a L128bn loss.

Olivetti feli L37.2 to L986.8:

but Tim eased L5 to L3.421.

although turnover was thin and buying selective. Demand was given a spur by the release of first-quarter results, while sentiment was

additionally encouraged by political developments following the four-day holiday. The composite index made

2,256 to 66,978.75 in turnover of TL6,140bn.

Brokers said news that Ms Tansu Çiller, leader of the coalition partner True Path party, has said that she would vote for a parliamentary inquiry on a corruption allegation against her, to be debated in the parliament on May 9, has helped matters.

TEL AVIV made progress following a sharp rise in Koor Industries. The Mishtanim index advanced 1.75, or 0.9 per cent, to 205.91 in turnover

Shk83m Osem Investments moved forward 1.25 per cent to Shkl.931 after the food manufacturer said that it was negotiating to purchase a 51 per cent stake in Thuya Central's ic cream division.

Madrid was closed

Written and edited by Michael

## Nikkei cautious ahead of holiday as Seoul falls 2%

#### Tokyo

Caution over the course of currencies and interest rates prompted profit-taking ahead of the long weekend and the Nikkei average closed lower for the third consecutive day, writes Emiko Terazono in

Tokyo. The Nikkei 225 index lost 152.63 or 0.7 per cent at 21.662.38. after fluctuating between 21.516.78 and 21.783.36. The overnight rise on Wall Street and the rebound of the dollar against the yen failed to provide support, and position adjustment and profit-taking prevailed

The Nikkei tumbled in the afternoon on technical activity led by heavy arbitrage unwinding and index linked selling by investment trusts. However. bargain hunting by domestic institutions remained strong and some of the losses were recouped in later trading.

Volume totalled 455m shares, against 447m. The Topix index of all first section stocks shed 11.81 to 1.685.80, and the Nikkei 300 lost 2.19 to 311.60 Declines led advances by 653 to 426, with 147 issues unchanged. In London the ISE/Nikkei 50

index eased 3.23 to 1,455.90. Large-capitalised blue chips encountered profit-taking by foreign brokerages. Nippon Steel dipped Y3 to Y369 and NKK softened Y2 to Y328.

of Japan retreated Y50 to declined Y30 to Y2.080. Individuals traded speculative favourites. Janome Sewing

phenol resin maker, added Y39 at Y659. Leisure related companies

Y12 at Y508. Car makers lost ground on

discouraged by April sales figures for new cars released on Wednesday, which fell for two consecutive months. Toyota Motor receded Y10 to Y2,370 and Honda Motor declined Y10

to Y2.340. In Osaka, the OSE average slipped 148.95 to 23,443.45 in volume of 75m shares. Profittaking depressed Nintendo, the video game maker, by Y130 to Y8.050

#### Roundup

Profit-taking exacerbated by trade figures showing a widening deficit left SEOUL falling 2 per cent in very active trading, while Wednesday's arrest on corruption charges of the president of Korea First Bank added to the fitters.

The composite index finished 19.38 down at 961.52, representing the second largest drop this year after a 3.3 per cent fall on January 4. The banking sub-index fell 12.94 or 2 per cent to 621.59,

with Korea First Bank losing Won290 to Won7,850. HONG KONG edged higher after trading in a narrow range, awaiting the US GDP and jobs figures, and the Hang Seng index ended 22.89 ahead at 10.929.90 in turnover that

dwindled to just HK\$3.1bn. The H share index of mainland China companies listed in Hong Kong relinquished 4 to 868.35, after Wednesday's 46.65 surge, indicating that the H shares had clearly overshot on initial euphoria over China's interest rate cut.

SINGAPORE continued to trade in a narrow range, with a 7.37 fall in the Straits Times Industrial index attributed to declines in just three shares. Keppel, Cycle & Carriage and

Fraser & Neave each dipped 30 cents to S\$12.40, S\$16.70 and S\$15.30 respectively, outweighing small gains in most other index stocks. **KUALA LUMPUR** retraced

nroving a disincentive to further buying. The composite index finished

for the year, with rumours of a large trade deficit in February

its steps from Tuesday's high

index retreated 6.61 to 622.86 in annual rate of 6.9 per cent in 3.41 down at 1,186.13.

Mechmar, which moved up 90 cents to M\$5.60, was heavily traded on rumours that its parent company, Hicom, was selling its stake in the engineering

SHANGHAI's hard currency B index finished little changed as profit-taking wiped out early gains triggered by the reduction in interest rates by the central bank. The index turned back from 52.858 to finish 0.037 firmer at 52.013.

The A index dropped 28.798 or 4.1 per cent to 679.632 after its sharp rise last Friday and Monday. SHENZHEN'S A shares fell 6 per cent as the B index edged higher.

investors took profits. The JSX

JAKARTA eased back as

volume of 86.8m shares valued at Rp258.4bn.

Dealers suggested that many foreign investors were taking a watching brief following the death earlier this week of the wife of President Subarto. On the foreign board Astra

International appreciated Rp50 to Rp3,525 on 1.2m shares BANGKOK was firmer following the release of April's consumer price data which

showed that inflation was on a downtrend. The SET index moved ahead 26.62 to 1.319.23 in volume of 104.4m shares worth Bt8.2bn. The Ministry of Commerce

reported that the consumer

with Compal surging by T\$2.10 to T\$34.90 and Acer up 50 cents

gains to close only modestly higher, with gold stocks outperforming. The All Ordinaries index added 9.6 at 2.323.0. Turnover was 308.9m shares

valued at A\$640.7m. CRA climbed 19 cents to A\$20.79 and WMC rose 9 cents to AS9.52. BHP was up 13 cents

to A\$19.84. Gold shares were among the day's best performers, the sector index climbing L3 per cent.

Plutonic Resources firmed 32 cents to A\$7.75 and Newcrest Mining rose 4 cents to A\$6.20. MANILA was in positive territory, helped by the overnight advance by PLDT's ADRs in New York. The composite

index put on 18.02 at 2.956 in

turnover of 5.5bn shares worth

#### **BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV**

Société d'Investissement à Capital Variable Registered office: 69, route d'Esch, L-1470 Luxembourg R.C. Luxembourg B 25256

#### NOTICE OF MEETING

Since no quorum as required by law was present at the extraordinary shareholders' meeting of April 24, 1996, notice is hereby given to the Shareholders of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAY (the "Company") that the SECOND extraordinary shareholders' meeting will be held before

notary on June 6, 1996 at 10.30 a.m. local time at the registered office with the following agenda **AGENDA** 

Approval of the merger by absorption of the Company by BOSTON INTERNATIONAL FUND I, SICAV (formerly BOSTON EUROPEAN BOND FUND, SICAV) together with BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME PUND, SICAV, all Luxembourg societés d'Investiss at 69, route d'Esch, L-1470 Luxembourg,

(2) the audit report prescribed by article 266 of the Luxembourg law on commercial companies and prepared by Coopers & Lybrand, 16, rue Eugene Ruppert, L-

(1) the report of the Board of Directors in relation to the marger proposal (the "Merger Proposal"),

Subject to the approval of the Merger Proposal by the Shareholders of BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON

INTERNATIONAL FUND I, SICAV in their respective Extraordinary Shareholders' Meeting; (I) to state the accomplishment of the formalities prescribed by article 267 of the law on commercial companies; (ii) lo approve and ratify the Merger Proposal published in the Mémorial, Recueil Spécial des Sociétés et Associations: (iii) to accept the issue of shares of BOSTON INTERNATIONAL FUND I, SICAV in the new compartments as follows: BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT, in exchange for the contribution of all assets and liabilities of BOSTON

INTERNATIONAL EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - INTERNATIONAL EQUITY INVESTMENT FUND for each cancelled Class B share of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV: - BOSTON INTERNATIONAL FUND I - EQUITY INVESTMENT in exchange for the contribution of all assets and Habilities of BOSTON EQUITY INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON EQUITY INVESTMENT for each cancelled Class B share of BOSTON EQUITY INVESTMENT FUND, SICAV;

- BOSTON INTERNATIONAL FUND IN INCOME INVESTMENT in exchange for the contribution of all assets and habilities of BOSTON INCOME INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND II- INCOME INVESTMENT for each cancelled Class B share of BOSTON INCOME INVESTMENT FUND, SICAV;

BOSTON INTERNATIONAL FUND I. U.S. GOVERNMENT INCOME in exchange for the contribution of all assets and liabilities of BOSTON U.S. GOVERNMENT INCOME FUND. SICAV in the proportion of 1 new Class E share of BOSTON INTERNATIONAL FUND I. U.S. GOVERNMENT INCOME for each cancellod Class B share of BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT in evictange for the contribution of all assets and liabilities of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - PACIFIC GROWTH INVESTMENT for each cancelled Class B share of BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV:

BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT in exchange for the contribution of all assets and liabilities of BOSTON ARGENTINE INVESTMENT FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - ARGENTINE INVESTMENT for each cancelle Class B share of BOSTON ARGENTINE INVESTMENT FUND, SICAV; - BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION in exchange for the contribution of all assets and liabilities of BOSTON GLOBAL CAPITAL APPRECIATION FUND. SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - GLOBAL CAPITAL APPRECIATION for each cancelled Class B share of BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV;

BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME in exchange for the contribution of all assets and liabilities of BOSTON STRATEGIC INCOME FUND, SICAV in the proportion of 1 new Class B share of BOSTON INTERNATIONAL FUND I - STRATEGIC INCOME for each cancelled Class B share of BOSTON STRATEGIC INCOME FUND, SICAV;

There will be no quorum requirement and the resolutions will be passed by a majority of 2/3 of the shareholders present or represented and voting at the meeting

The Shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the Company at least 48 hours before the meeting. The following documents are at the Shareholders' disposal for examination at the registered office of the SICAV (copies may be obtained without cost).

- the three last arrural financial reports with management reports of BOSTON INTERNATIONAL EQUITY INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV and BOSTON EUROPEAN BOND FUND, SICAV; the reports of the Board of Directors of BOSTON INTERNATIONAL EQUITY FUND, SICAV, BOSTON EQUITY INVESTMENT FUND, SICAV, BOSTON INCOME INVESTMENT FUND, SICAV, BOSTON U.S. GOVERNMENT INCOME FUND, SICAV, BOSTON PACIFIC GROWTH INVESTMENT FUND, SICAV, BOSTON ARGENTINE INVESTMENT FUND, SICAV, BOSTON GLOBAL CAPITAL APPRECIATION FUND, SICAV, BOSTON STRATEGIC INCOME FUND, SICAV, and BOSTON EUROPEAN BOND FUND, SICAV on the Merger Proposal;

the report of the independent auditor, Coopers & Lybrand, with respect to the Merger Proposal.

By order of the Board of Directors

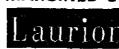
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REGIONAL MARKETS		WE	DNESDAY	MAY 1	1996				TUESDA	Y APRIL	30 1996		DO	LLAR IN	DEX
Figures in parentheses US	Day's	Pound			Local	Local	Gross	us	Pound			Local			Year
show number of lines Dollar	· Change	Stering	Yen	DM	Comenc).	% chg	$D_{\mathbf{R}'}$	Dotta	Starting	Yen	DM:	Currency .	52 week	52 week	ago
of stock Index	%	index	hdex	Index	Index	on day	Yield	inde	Index	index.	Index.	Index.	High	Low	(approx)
Australia (80)	33 0.3	207.37	139.09	166 90		-0.1	3,91	208,77	206.26	138.24	166.45		210.85	162.68	172.32
Austria (25)	21 0.0	184.47	123 73	148 46		00	1 89	186.21	183.97	125.30	148,46	148,35	199,28	168.11	184 34
Belgium (31) 208 1	1 0.0	206.16	138.28	165.92		0.0	4.08	208.14	205 64	137.82	165 95		215,81	186.06	
Brazil (28) 157.4	L4 0.0	155.97	104.61	125 53		0.0	1 39	157.42	1\$5.53	104,24	125.51	287,54	170.25	123.97	132.97
Caneda (99) 162.4		160.88	107.90	129.48		0.0	2.35	162.55	160 60	107,63	129,60		162,75	134.14	136.50
Denmark (30)		292.22	195.39	235.18		0.5	1.90	293.34	299.82	194.24	233.88		305,17	271.61	271.61
Finland (24)		181.36	121.64	145.96		0.0	2.66	193 30	181.10	121.38	146.15		276,11	171.73	
France (97)		196.21	131.60	157.31	160 65	0.0	2 98	198 06	195.68	131.15	157.91	160 85	198,39	167.70	
Germany (60)		165.06	110.71	132.84	132,64	00	187	166.62	164,52	110.33	132 84		174.38	149,48	151.94
Hong Kong (59)428.5	1 -0.4	424,91	284.99	341.97	426.00	-04	3 32	430 54	425.37	285 09	343 27	427 59	451,19	323.87	324.70
Ireland (16)275.8	IS 0.5	273.27	183.28	219.93	250.29	0.5	3.32	274.52	271.22	181.78	218 87	249,22	277.20	220,31	224 43
Italy (59)83.1	3 –01	82.35	55.24	66.28	97.20	0.0	219	83.20	82.20	55.09	66 34	97 <u>.22</u>	83,87	67. <u>22</u>	76.47
Japan (481)	2 –1.3	160.21	107.45	128.94	107.45	-1.0	0.71	163 84	161.87	103,49	130.63	108.49	164,79	137,75	160.70
Malaysia (107) 585 (	19 0.1	579 63	388.76	466.49	561.66	0.0	1.55	584.79	577.76	387.23	465.25		595.09	425 77	474.03
Mexico (18)1260.2	9 0.7	1248.52	837.39		10203 64	O.D	1 33	1251 92	1236 89	828.38	998.16	10203,64	1313,61	791,93	1007.11
Netherland (19)	9 0.2	285 90	191 75	230 09	225 88	G 7	3 12	268.00	284 54	190,70	229 62	225.55	291,80	237.16	245.73
New Zealand (15)		B1.74	54 82	65.78	63.92	-0.4	4.28	83 02	85.02	54,97	66,19	64,19	85 49	76.26	63.44
Norway (33)2512		248.93	166.96	200.34	224.56	0.0	2.31	251.34	248.32	166 43	200.39	224.56	255.75	215.64	224.17
Singapore (44)	4 0.0	437.72	293.58	352.2B	286.32	0.0	1 33	441 91	436 60	292.62	352.33	288,32	465.21	355,81	370.82
South Africa (45)	5 -0.2	365.79	246.01	295.20	350.41	0.0	2.01	370.89	366.44	245 59	295.71	350.41	437,76	338.91	351.36
Spain (37)	0 -0.1	175.35	117.61	141.12	170.89	0.0	3,24	177.10	174.98	117.27	141,20	170.89	179,85	139.18	139.18
Sweden (48)	<b>4 -07</b>	335 77	225.20	270.23	343.32	0.0	2.32	341.18	337,08	225.9C	272.02	343.32	352.28	250.83	255.39
Switzerland (39)240.4	9 -0.3	238.24	159.79	191.74	136.14	مُد	1.57	241 22	238.33	159 73	192,33	186.14	252.34	184.11	186.49
Thailand (48)		175.11	117,45	140.93	173.36	0.0	1.89	176.90	174.77	117,14	141.04	173.36	133,95	145.43	145.43
United Kingdom (202)		229.21	153.73	184.47	229.21	-0.3	4.01	232.68	229.89	154.07	185.52	229.89	237.43	208 12	210.94
USA (626)		264.80	177 61	213.12	.e. 30	0.1	2.19	266.97	263.77	176.78	212.86	266.97	269.11	210,24	210.24
										110.10	2.00	200.87			
Americas (771)244.2	5 0.1	241.97	162.29	194.74	205.26	0.1	2.18	243 96	241 03	161.54	194.50	205.03	245,51	192,82	192.82
Europe (720)	6 -0.2	206.31	138.38	166.04	185 30	-0.1	3 00	208 77	206.26	138.24	166,45	185.46	211.35	181 77	183.90
Nordic (135)292.4	1 -0.3	289.68	194.29	233.14	260.00	0.1	2:30	233 39	289 87	191_27	233 92	259.78	297.60	241,98	245.15
Pacific Basin (632)	2 -1.1	172.99	115.03	139.23	119.02	-0.8	1 13	178.50	174,38	116.88	140.73	119.99	177,01	148,86	167.66
Euro-Pacific (1552)188.5	2 -0.7	186.79	125.26	150.31	144 17	-0.5	1.99	189.83	187 55	125.70	151,35	144,86	190 57	156,51	174.32
North America (725)	9 0.1	258.35	173.28	207.92	260.08	0.1	3.20	260.48	257.36	172.48	207 68	259.78	262,26	205,68	205.68
Burope Ex. UK (518)	8 –01	188.70	12 <b>6.5</b> E	151.87	159.50	0.0	2.45	190.61	188 32	126.22	151 97	159.45	192,67	163.36	165.23
Pocific Ex. Japan (351) 295.4	8 -0.1	292.72	196.33	235.59	251.94	-0.2	2.90	295.72	292.16	195.81	235 77	255.39	295.72	237.71	238.63
World Ex. US (1742)189.6	4 -0.7	187.87	126.01	151.20	148.55	-0.5	1.99	130.89	188,59	126.40	152.19	149,23	191.55	167 36	174,77
World Ex. UK (2166)		209.58	140.57	168 67	178.06	-0.2	1.89	212.20	209,65	140,51	169,19	178.42	212.60	179.23	182,81
World Ex. Japan (1887) 242.4		240.20	161.10	193 32	230.77	0.0	3.50	242.51	233.60	160.58	193 35	230.71	242.93	200.26	200.28

The World Index (2368).......213.38 -0.3 211.39 141.78 170.13 182.75 -0.2 2.06 214.08 211.51 141.76 170.59 183.14 214.52 181.82 185.28

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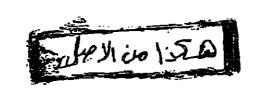
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# Paradise lost and the Protestant work ethic

TANBIL leapt 3.5 per on ough turnover was the buying selective. he Protestant work ethic is such an enduring and persis-tent ideal that it underlines virtually everything we do in our jobs. Questioning the view that hard work is the foundation of a successful life is such a heresy that I hesitate to suggest it may have almost run its course.

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rokers said news that a second rokers had news that a second roke that a second roke that the roke the roke that the r Richard Cumberland, an 18th-century Bishop of Peterborough, once summed up the underlying philoso-phy when he said: "It is better to wear out than to rust out." Society has begun to test this statement on a grand scale as many of those in work wear themselves out, working 60-hour weeks, while those without work kick their heels in frustration and despair at the first signs of

EL ser same propert Where not so long ago we might have blamed recession for job loss, technology now seems responsible for the greatest displacement of labour today. A combination of per cap robotics and computer systems are replicating and improving upon much of that once done by the human hand and brain.

Is any job beyond the capabilities

of technology? Certainly the key-board strokes I am using to write these words seem destined to be overtaken by voice-recognition systems. It may not be too far into the future before law books are computerised and similar recognition systems are capable of digest-ing and assimilating the arguments in a court of law, weighing them against each other, using case his-tory as a point of reference.

In the same way, machines will be able to diagnose ailments. Already computer-assisted anima-tion has dispensed with the need for film extras in movies as crowd scenes are produced artificially. There are also programmes to assist executives and managers. How long will it be before they replace them entirely. It may not be too long before the biggest part of the accounting and finance function can be performed with the aid of a

few simple keystrokes.

Michael Dunkerley, a software specialist, explores many of these themes in a forthcoming book, The Jobless Economy? Computer Technology in the World of Work (Polity

ers are replacing people in hundreds of factories and businesses, and believes the advance of technol-

ogy is unstoppable.

Dunkerley worries that without people earning incomes, there can be no markets for the products factories produce. It is not a new observation. It was described by Alexander Heron in a book called *No Sale*, *No Job*, published during the 1950s. and it was recognised by Peter Drucker in his classic work, The Practice of Management

Drucker noted that IBM, during the 1930s, had pursued new markets, partly because of its belief in maintaining work for its employees. The Rover Group had the same aim in mind when it committed itself more recently to providing long-term employment.

Dunkerley believes that technological change will make it increas-ingly difficult to maintain such commitments. He writes: "People are now becoming the most expensive optional component of the productive process and technology is

Press, to be published in June). He becoming the cheapest. People are has witnessed the way that computreplacement just as soon as the relevant technology is developed that can replace them."

Even when displaced, people find other work, often at lower rates of pay. The exchange of well-paid manufacturing jobs for poorly paid service jobs is already a reality.

The result is that many people

are no longer the consumers they used to be. The risk, says Dunkerley, is that the technological revolution will create what Keynes referred to as "demand deficit" while people want products, they are unable to earn wages to buy

hat makes Dunkerley's book quite different from others I have he is prepared to take these developments to their ultimate conclusion. He forecasts that fully auto-matic production lines, serviced robotically and independent of human input, will be with us in the next 50 years. What happens when most of the traditional work has

gone, when a comparatively small proportion of the population that we may still describe as the workforce is needed to do work? If machines can produce the basics of food, power and other commodities, we may have to cope with the idea that these goods might be free in the future, says Dunkerley. "Robots don't need wages. They are just there," he says.

If people are taken out of the productive process, there is no way of valuing the product, he argues; it should be free. Anticipating hostility to this idea, he says: "If people are criticising having things for free, they have got to explain how they can make people pay a price for something when people aren't working because that is the only way most people have of getting

monev. The role of money would diminish in a jobless economy, with some trade probably reverting to barter. Yet the absence of money could undermine the Protestant work ethic. Indeed, the introduction of money has often been a means of creating a work ethic. For example,

Kenya, they were dismayed to find that the locals were unwilling to work on their tea and coffee plantations. As a solution, the colonial government introduced a tax which forced people to seek work on the plantations to earn the money.

unkerley, like other recent commentators, compares the changes in working patterns today with those of 18th-century Britain, when agricultural employment collapsed and a harsh transition ensued as labour was absorbed to service the industrial revolution. Technological change, however, is absorbing labour on a much smaller scale.

He believes there is a bright

future if society and governments recognise that we have secured for ourselves a world of plenty. Existing attitudes, morals and economic structures, he says, are geared to a world of shortages hence, when confronted by surplus. the traditional reaction has been to destroy it and remove the means of production rather

than give the produce away.

"Agricultural land is removed from production even though there are hungry people. Building workers are unemployed even though there are homeless people. There are waiting lists for hospital treatment even though there are doctors and nurses enough to deliver medi-cal treatment," he writes. There is always a chance that

technology may come up with some labour-absorbing industry akin to that inspired by the discovery of steam power. But if that does not happen, the changes for the West, in particular, will need to be radical. Keynes-inspired government spending will probably not be enough. The Protestant work ethic might have to be dispensed with as a spent philosophy.

But without work as we know it, how will we view our leisure? As Jerome K. Jerome once wrote: "It is impossible to enjoy idling thoroughly unless one has plenty of work to do."

Richard Donkin

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You will possess a proven record of editorial skills within the financial sector, be knowledgeable of the investment research industry and be self-motivated, persuasive, yet diplomatic and well organised to meet strict deadlines. You need to demonstrate an aptitude and enthusiasm for effective written communication.

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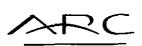
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ARC Associates provides the highest-level advisory services to firms in the telecommunications, technology, information and multimedia industries. The firm's strategic sectoral focus and the blend of staff from traditional strategy consulting companies and blue-chip investment banks allows it to offer a broad range of services to its clients, ranging from corporate strategy problem solving to a full range of investment banking services. Additionally, ARC Associates backs its commitment to its targeted sectors through its own public and private market equity investments.

Our dual focus and broader service offering allows our professional staff to develop two sets of core skills simultaneously. We need to increase the London team by three professional staff today, and are looking for people who ideally satisfy the following

- Have 1-3 years experience in an investment bank (M&A or corporate finance) or strategy consulting firm · Are fascinated by telecommunications and high technology, and the major impact which they are having on business and
- Set the highest performance and quality standards for themselves
- · Want to be rewarded based on the value that they contribute
- · Are hungry to broaden their skill base Want to work in a specialised company environment and assume a wider set of responsibilities as a key member of a small but growing team



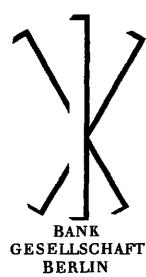
Those interested are asked to write, enclosing a full CV, to Will Iselin, ARC Associates, 26 Finsbury Square, London EC2A 1DS Telephone: 0171 614 4000



### IT City Appointments



# INVESTMENT BANKING I.T. SPECIALISTS OUTSTANDING CAREER OPPORTUNITIES IN BERLIN WITH INTERNATIONAL REMUNERATION PACKAGES



#### RELATIONSHIP MANAGERS

IT is not simply supporting investment banking - it is actually sturping its operations and continuing its future. We appreciate, therefore, that it is critical for the Bank's trading and IT professionals to work together to identify and capitalise on opportunities for profit. The role of the Relationship Manager (RM) is to ensure that this happens by being responsible to histher business users for the sansfactory provision of all IT and organizational services according to their needs. We require three RMs who will report directly to our IT Director (Investment Banking) but were despited to the party of the sansfactory provision of the sansfacto

This position requires a wide-ranging knowledge of fixed income markets and products. In particular we are seeking an individual with good working exposure to internationally traded government debt as well as Eurobonds. Repo and lending experience would also be highly advantageous. An understanding of the German domestic market would be useful.

Ref: BGFT17

The role requires good understanding and experience of interest rate derivatives including Swaps. Futures and Options. The Bank is active in both exchange-traded and OTC products and would therefore appreciate familiarity with both product sets. Previous experience of working in Germany is not required.

Ref: BGFT18

Credit & Risk Management
This position requires a broad knowledge of securities and derivatives trading with particular emphasis on the management practices of financial control, translet and credit tisk. In particular you will be dealing with users from the finance, risk control.

Street, London F.; 7JEL, Tel: +44(8) 17; 247 7444, Fax: +44(9) 17; 247 7475

**BUSINESS ANALYSTS** 

Securities & Derivatives Trading

To work closely with trading units (Fixed Income, Equities, Money Markets etc.) analysing and gathering new requirements for proactive, profit-oriented middle-office technologists. You will have an excellent understanding of base-level business instruments (bonds, equities, profit-oriented middle-office technologists. You will have an excellent understanding of base-level business instruments (bonds, equities, profit-oriented middle-office technologists. You will have an excellent understanding of base-level business instruments under a Puntures. Caps, Floors, Options, Swaps in both equity and fixed money markets etc.) and be familiar with more complex instruments such as Puntures, Caps, Floors, Options, Swaps in both equity and fixed instruments.

Credit & Risk Management To enalyse and gather new requirements from trading divisions (fixed income, equities etc) for our profit-criented middle-office techno-to then interface with other business divisions to explain how a particular trading divisions requirements have been unplemented fi

You will work closely with our trading and risk analysts and assist them in understanding the more complex mathematical activities of the floor will work easiesty with designing and authenticating the various calculation mechanisms to sail need an excellent background in statistical mathematics and be comfortable with standard com-

McGregor ■ Boyali

## TECHNOLOGY, RISK and CONTROL

INVESTMENT BANK AT THE HEART OF

City (International Travel)

£ Exceptional & Banking Benefits

Rapid change is the rule in Global Financial Services and success is dependent on your ability to embrace this rule. J.P. Morgan continue to stretch their leadership in the industry by exploiting the opportunities of change and consistently initiating improvement within a dynamic framework of focused strategy and principles.

As a critical component of this framework, the global audit group provide independent assessment on technology, risk and control throughout the bank. Working on high profile projects within the organisation, the technology audit team are essential and fundamental contributors to J.P. Morgan's success.

Unique opportunities exist on the Technology Audit Team for those professionals who are excited by these changes and are committed to staying abreast of this rapidly evolving environment. Key to success within these roles will be your ability to evaluate and promote global system integrity whilst providing innovative and pragmatic solutions to the technology requirements of the business. The credibility and confidence to win the respect of senior management throughout the bank

and your commitment to being part of a global team is paramount in building the crucial links between the Business. Technology and Finance.

The ideal candidates will be graduates with a minimum of 3 years experience in either Audit, IT, Management Consultancy or Banking Finance and must be able to demonstrate an in depth understanding of Information Technology. This may include applications development and delivery, security, operating systems, LANs/WANs, client server technology. data communications, relational and object databases,

We look forward to hearing from you if you have the ability and the experience to make an impact and want to be part of a growing organisation in which talent is recognised and rewarded. Do not hesitate to telephone to discuss the roles further (0171 379 3333) or 0171 589 0989 (24hrs) alternatively send your CV to Martin Phillips or Keith Jones at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Fax no: 0171 304 4131 E:Mail: martin.phillips@rwa.co.uk

### **JPMorgan**

### BANKING/FINANCIAL

BENS

Income products or Equities are required to join this international finance house. Charged with the analysis of a number of new front office systems, your superb well rewarded. These are excellent opportunities to gain project ownership in a technologically advanced organisation.

#### WINDOWS NT

Leading Investment Bank developing new applications for Equity Sales staff on the trading floor requires developers to work in elite team. Systems are implemented using Client/ Server technology including Visual Basic, Excel, Visual C++, ODBC and SYBASE. You should have a minimum 2 years' Client/Server development using some of the above technology. You will be involved in all aspects of the development life cycle and work closely with the business.

#### C + + /MATHS

Two financial engineers required with solid mathematics and C++ expertise. As integral members of a team supplying market risk information-for fixed income, your primary activities will include relative value analysis, statistics and development of pricing tools for the trading desks. Highly numerate technicians with superior intellect need only apply.

solid SYBASE skills incorporating both design and development. Working alongside the traders, you will develop real-time applications so experience of C or POWERBUILDER and Rapid nication and presentation skills are essential. Super

#### C or C + + /UNIX

Premier Investment Bank requires high calibre developers. Based on the trading floor, you will develop analytic applications supporting a diverse group of Fixed Income products. Environment is SUN/UNIX/C/SYBASE moving to Object-Oriented architecture including C++, Rogue Wave libraries, Object Centre and Rational Rose. Good degree, strong C/C++ programming and solid design skills. Preference given to candidates with SYBASE and financial expertise.

#### C/C + + /VISUAL BASIC

Talented C/C++/VB developers are required to join an elite team designing and implementing systems for the global distribution of financial data for an Investment Bank, You should have a minimum 18 months' experience developing and delivering systems to users. Exposure to Client Server, OO technologies and GUIs is destrable. Excellent career prospects.

ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more. Our itants have an in-depth understanding of this market and how it can work best for you, so please call Isabel Blackley or Paul Wilkins on 0171-287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC international, Recruitment & Consultancy Services, 15-16 New Burlington St, London WIX 1FF. E-mail arc@itjobs.co.uk internet http://www.itjobs.co.uk

Tel: 0171-287 2525



Fax: 0171-287 9688

# The FT IT et.Works Recruitment section is also available all week on www.FT.com

### **COMPUTING DEVELOPMENT MANAGER**

#### CITY · C£60,000 + BENEFITS

Our client is a leading international financial services company specialising in the provision of money and securities broking services.

A commercially oriented IT professional is now sought to lead the development of core trading and business systems throughout the organisation. Working closely with IT colleagues, business users and senior management, the appointed candidate will advise on strategic technology direction as well as define new development projects and ensure the delivery of innovative, leading edge solutions. Managing a team of 24 staff, this challenging role will involve co-ordinating multiple projects as well as managing third party supplier relationships.

Applicants should be graduates, preferably in mathematics or computing, with proven project

management and systems development experience gained ideally with a leading employer in the financial markets. An in-depth understanding of networks software, UNIX, client server applications development and mathematical modelling is required which should be matched by a strong programming background and an appreciation of OO techniques. Key to the success of this role are strong communication skills and the ability to lead, motivate and develop

In the first instance please write in confidence enclosing your CV to John Maxted at Digby Morgan Consulting. London House, 53-54 Haymarket, London SW1Y 4RP. Tel 0171 321 0640. Fax 0171 930 4261. ... E-Mail digby.morgan@dial.pipex.com

### **Outstanding IT Professionals**

High profile and reputable City institution. Demanding, discerning client base. Employs c.250 people. Critical to the success of the business is its substantial investment in client-server/Oracle-based computer systems. The continuing requirement for new systems and ever higher levels of service has created two excellent career opportunities.

#### Corporate Project Manager

THE POSITION

Champion conception and delivery of major strategic IT and business initiatives. Control programme implementation.

Ref SL60404FT

- Manage risk Lead teams of business and IT staff. Ensure all projects
- move forward at correct pace and budget. Provide internal IT consultancy. Input to strategic planning.
- QUALIFICATIONS

Communicate initiatives to all levels.

- Graduate, with 10 years' IT experience. Proven track record in the delivery of sizeable IT-related projects
- Large consultancy or IT service provider schooled. In-depth understanding of system design, databases and client-server
- Highly credible at senior levels. Exceptional written and verbal communication skills. Team player. Financial services

#### **Operations Manager**

THE POSITION THE POSITION

Plan and manage delivery of a resilient, reliable and flexible

- IT infrastructure. Manage team. Ensure standards and procedures are in place
- and followed. Recommend and implement change. Set up service level agreements. Develop people skills. Manage vendors.
- QUALIFICATIONS Experienced IT operations professional with proven success in
- managing a sizeable UNIX environment. In depth understanding of latest client-server, PC and
- communication technologies. Familiarity with Novell an advantage. Commitment to service excellence.
- Credibility with IT staff. Structured and systematic approach. Attention to detail.

Ref SL60405FT

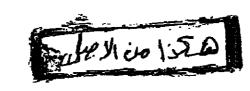
Please send full cv, stating salary, quoting relevant reference, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SLI 2ER

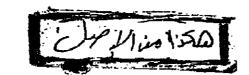


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<sub>ons</sub> Manager

25.000 general transfer

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### **IT Senior** Appointments





#### Information Services Manager – Northern Europe **Location: Paris or Brussels**

H.J. Heinz Company today markets more than 4,000 brands around the world. 1995 saw sales grow 15% to \$8.5 billion a far cry from the original 57 brands touted in advertising at the turn of the century. Over the years Heinz has expanded it's core business and continues to grow through the acquisition of many renowned brands and world

Due to career progression within our organisation we are now in search of a I.S. Manager for our Northern European operations. The function will report temporarily to the Director of Logistics and manage 5 direct reports. Outlined below are the major

accountabilities for this challenging appointment- To maintain, manage, improve and control information services throughout Northern Europe in order to optimise operating

efficiency across the busine

- To direct and evaluate studies of the economics of possible alternative processing methods.
- To provide advice and council to the Northern European Management Board concerning the applications of Information
- Review present system strategy, proposing appropriate changes to increase efficiency and reduce costs.
- Keep abreast of new developments in the information

 Manage, appraise, motivate and challenge I.S. personnel, ensuring service level agreement with users are achieved.

In order to fulfil these responsibilities you will need to be able to operate in a multi-cultural environment combining an international perspective with local market knowledge. You will be a highly selfof delivering critical solutions to Business Information Systems within

You need to have excellent communication skills along with fluency in English and at least one other European Language.

This is outstanding opportunity to influence the direction of Information Systems in one of the best known household brands in the world. Heinz rewards excellence, welcomes ambitious people and will provide the challenge and environment to ensure you fulfill your maximum potential. Relocation assistance will be provided. For a confidential discussion please contact our advising consultants David V Holloway or Mark Pockele at Drax Dearman Associates quoting the ad reference FT0046 using one of the following methods:

- Telephone: + (44) 171 419 0229 or + (44) 171 209 1000
- + (44) 171 209 0001 Charlotte House, 14 Windmill Street, London W1P 2DY, UK
- E.mail David@dearman,demon.co.uk,

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### Ericsson Hewlett-Packard Telecommunications LEADERS IN TELECOM MANAGEMENT

Ericsson Hewlett-Packard Telecommunications is a leader in telecommunications management support systems. Our collaboration with Ericsson and Hewlett-Packard,

including their activities in over 100 countries, enables us to supply our customers with local sales, service and support, almost anywhere in the world.

#### **BUSINESS & LEGAL ADVISER** Location: Grenoble, France

The Business & Legal Adviser will help ensure our intellectual property rights are skilfully handled and properly protected, assist in the negotiation of software licensing agreements, educate personnel and develop internal matters.

An ideal candidate will have 3 --- im Grenoble, France: .... to 5 years experience negotiating software licensing and protection

agreements, legal knowledge of intellectual property rights and contracts, and a thorough understanding of modern business practices and procedures. This person should be an effective communicator, results oriented, with a high energy level and leadership skills. For further information please

contact either Birgit HJELM PICHAT at +(33) 76 62 45 54 or . ... Claes GISLE at +(33) 76 62 45 31,

FAX: +(33) 76 62 45 33.

Applications in English along with your curriculum vitae and salary expectations must be received before May 10, 1996 by:

Ericsson Hewlett-Packard Telecommunications Arm. Claes GISLE Miniparc Alpes-Congres 1. rue Roland Garros F-3820 EYBENS

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Six figure package

Global Financial Services

London

### **Head of Production Systems**

ted IT professional for a high profile, pivotal role within its European technology organisation. This is an iting opportunity to contribute to the success of an industry leader through the provision of high quality systems and services. The position offers excellent prospects for career progression.

- Responsible to the Head of Technology Europe for the delivery of all production systems throughout the region, ensuring that agreed service levels are met in terms of timeliness, reliability and dependability.
- Lead and motivate over 50 staff responsible for data centres, networks, market data services, help desk, logistics, systems administration and computer and network security within a distributed technology
- Work closely with senior business users and IT development teams to formalise operational procedures and improve service. Plan the development of the  $\Pi$ cture to support future busing
- THE QUALIFICATIONS Graduate, aged 35 to 45, with a good technical degree and preferably a postgraduate management qualification. At least twelve years' experience managing complex production systems in a disciplined, international
- production systems in a macro business, not necessarily in financial services. Deep understanding of how to develop and manage a controlled production environment that is flexible enough to meet the needs of diverse, geographically dispersed
- Mature and self-confident, with high levels of energy and commitment and the flexibility to work long hours and travel as needed. Decisive team player with excellent communication skills and the ability to build relationships at all levels in the organisation.

Leeds 0113 2307774 London 0171 493 1238 Selector Europe Spencer Stuart

### Director of IT

#### Central London

 Our client is an international oil company with extensive interests worldwide. It provides a group of petroleum operating companies with a wide range of services, covering financial, legal, human resources, office administration and full technical and engineering activities. The increasingly sophisticated support demands have created the need for a high calibre IT leader to be appointed to define and implement a global IT strategy which will enable the operating companies to effectively communicate with each other and to support their IT activities.

Reporting to the Managing Director in London, key responsibilities will include the formulation of a global IT strategy that meets the needs of the operating companies, the support of development of computerised management information systems and the support of all hardware/software purchase and consequent supply liaison, if

■ The successful candidate must have business acumen and communication skills to function

### **£60.000** + benefits

effectively as a senior executive. The company's culture is one of both team work and leadership and the appointed candidate will therefore require excellent facilitation and

- Applicants should be experienced IT professionals with demonstrable track record in development of IT strategy, PC networks and implementation of packaged solutions. A strong technical understanding of the petroleum industry and the ability to operate in a multi-cultural international environment will be essential

 Please send your curriculum vitae with an explanation of how you meet these requirements quoting your current salary and ref. SK724 to Suzanna Karoly, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London

**■ ERNST&YOUNG** 

#### FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:

Will Thomas +44 171 873 3779 Clare Bellwood +44 171 873 3351



### **City** Appointments



### Contracts and Interim Management Positions in Investment Banking IT

#### APPLICATIONS DEVELOPER (TRADING SYSTEMS)

Our client is one of the world's leading financial markets institutions. They are seeking an bilities will include RefCTFIII

#### SYSTEMS DEVELOPER (BONDS/REPOS)

Unix, C++, Motif, Sybase 10, Open Server

first-growing international house. As a senior developer you will be tasked with close user in/knowledge of basic bond market saues. Repo

#### UNIX SYSTEM ADMINISTRATOR

Solaris 2, TCP/IP

This leading international bank urgendy requ ions. Key so the role is the in-house applications and versions in a single operating environment. In addition to Solaris stems administration and TCP/IP experience Ref CTFT12

#### ANALYST PROGRAMMER

RAD, Powerbuilder, Sybase group using OO standards to form user ships. You will have expenence of working on RAD time slice based projects and applicat levelopment within currency dealing, wholesale anking or banking MIS man

7401; 'email: asingleton@negrogor-boyall.co.uk

McGregor Boyall Contracts

#### SERVER GROUP **PROFESSIONAL**

SQL/Sybase, PC, Case Tools This European house is seeking a developer with excellent Sybase skills and some DBA expertue, you will ideally demoence of data design (preferably with

#### ANALYST PROGRAMMERS X5 (CONVERTIBLE BONDS)

.C++, Sybase

As one of the world's most presigious bankin ons our client is seeking to remin five analyst s exponents of leading edge business sectionloge. You will have C++ and Sybase skills of the highest calibre – this will be enhanced by expension in Applix or Natiab or PVWare. Relevant bu

#### PROJECT MANAGER (SWAPS) New York

C++, Unix, Sybase

New York as the beadquarters of one of the application. This is a high-profile contract in a key business area and you must demonstrate an indepth track record of working with SWAPS.

#### **BUSINESS ANALYST** GERMANY

Gloss, C++, Unix, Sybase Our client, one of Germany's largest financia markets institutions, is currently secking a contract Business Analyst to work in Germany combination of first-class technical skills in Gloss, C++, Unix and Sybase and a Ref: CTFT18

Net.Works

The FT IT Recruitment section is also available all week on www.FT.com

**Before** make

Competitor and Market Analysis Manager c£45,000 + car + benefits

British-American Tobacco is a clear leader in a competitive and fast moving business. Multi-national, multi-cultural and multidisciplined, we are a first-class tobacco company with operations in over 80 countries and on every continent. With over 12% of world sales, our famous brands account for more than one in ten of all cigarettes sold around the globe. A successful and growing business, the focal point of our marketing strategy is a portfolio of leading international, regional and national brands which speamead our expansion world-wide. Our competitor and market analysis team is

firmly centre-stage as the provider of the critical market information that underpins We now seek an exceptional professional to join this influential team, which is based in our Global Marketing Department. Working closely with the British-American Tobacco Board, Global and Regional Marketing management as well as the Marketing Directors of our overseas operating companies, you will develop a leading-edge competitor information and analysis system which will secure our competitive advantage around the world. The role involves conducting reviews

and analyses of competitor activities with the

objective of adding value to the marketing

existing data collection and analysis systems whilst championing the introduction of state-of-the art competitor analysis tools. This is an excellent opportunity for an outstanding individual. In your late 20's or early 30's, you will be a graduate, possibly with an MBA, with highly developed analytical skills. Your functional background is less important than your ability and your potential - our requirement from you is simply an exceptional track record in a bluechip environment where you have used your drive, intellect and commercial acumen to add significant value to a business. Critical to your success in the role will be your personal credibility, confidence and ability to influence at the most senior levels. Above all, you must be a resourceful networker, able to achieve results through others in an international business. Computer literacy is essential. Our offer is straightforward: an environment where you can stretch your capabilities and be developed to a British-American Tobacco standard of global excellence. If you have got what it takes, opportunities to fulfil

Middlesex TW18 1DY. management process. You will also enhance

**BRITISH-AMERICAN TOBACCO** 

your real potential are unlimited.

Millbank, Knowle Green, Staines,

Contact Mary Alexander, Resourcing

Manager, British-American Tobacco,

BROKER, UNITED STATES GOVERNMENT SECURITIES LONDON DESK

COMPETITIVE SALARY PLUS BONUS AND BENEFITS

Our Company is a large diversified broker in global government and corporate markers. The United States Government Securities deak in London has strong links with our parent company's successful desk in New York.

JOB DESCRIPTION Manage all aspects of the London deak and broker

 Create and develop computer relationships with major customers. Reep US managemen abreast of development in

the UK.

Debt Securities market. • Familiar with modern trading and

• Experience of working in and thorough

understanding of the US Government

CANDIDATE PROFILE

Excellent pronumication skills

 Good university degree Team player To apply please send your CV, in strictest confidence, to:

GENERAL MANAGER - EUROPE

Box A5822, Financial Times, One Southwark Bridge, London SE1 9HL

Our client, a major international manufacturer of separation systems based in the United States, is seeking a unique inclinidatal for the newly created position of General Manager-Europe. Reporting to the President of the company, you will be responsible for creating a structure that coordinates all facets of our European business centers in order to obtain maximum all facets of our European business centers in order to obtain maximum. everage for Europe in sourcing, commercial development, ma

rou nurs possess discharged in the magnitude of the control of European (France, Germany, The Netherlands), United Kingdom and U.S. offices on a regular basis. Because our organization is multi-cultural, candidates with international experience are preferable. The ability to communicate effectively is imporative, as are an existing fluency in English and the desire to become fluent in French and German. A strong English and the desire to become such at 1 Park 1 and a treated based innancial background, an entrepreneurial spirit, and a treated based management philosophy are all major assets. An advanced education in business (MBA or equivalent) in conjunction with an undergraduate degree is an engineering discipline is ideal. Separations or capital equipment experience helpful. Please write to: The Financial Times, Box # A5340 Number One Southwerk Bridge, London UK SE1 SHL

# ING BANK Head of Operations and Finance

Argentina Zimbabwe Turkey Kazakhstan North Korea

ING Bank holds a leading position in corporate and investment banking in the emerging markets. Their continued expansion in the world's fastest developing regions underlines their requirement for exceptional individuals to run the operations side in a number of key locations.

Reporting to the General Manager and functionally to head office in Amsterdam, these positions offer a challenging opportunity with a wide remit which includes responsibility for operations, systems, finance, legal and general administration.

The successful applicants will be able to demonstrate.

- A thorough knowledge of international banking, ideally with an investment banking flavour, including trade and export finance, private banking, treasury and loans administration.
- A strong track record of successful management; the ability to train and delegate as well as forming positive relationships with colleagues and fostering a team approach.

ideally this experience will have been gained in a major international financial institution which has involved considerable

Competitive ex-patriate packages including relocation expenses are offered for these excellent career opportunities.

Please send a detailed Curriculum Vitae quoting reference MH1596 to: Rochester Partnership Limited, 7 St Helen's Place; London EC3A 6AU. Tel: +44 (0) 171 256 9000. Fax: +44 (0) 171 256 9111.

**ROCHESTER** 

#### MARKETING DIRECTORS, EXECUTIVES AND FINANCE MANAGERS

DENA LTD INTERNATIONAL TRADING

c. Salary Neg.

An outstanding opportunity to be part of a newly established marketing company with a projected turnover of £100m in its first year. We are aiming to cover the EU, the Ex -Comecon countries as well as Turkey, India, USA and the Far East.

We are looking to form a Management Team who are highly motivated. The suitable candidates must have an International Marketing background which will enable them to enhance the company's business connections.

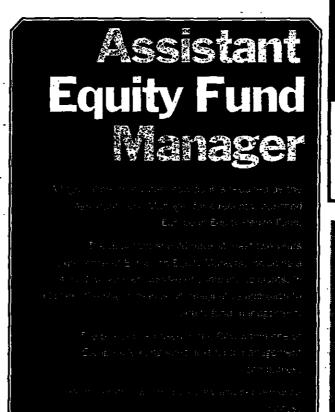
The ideal candidate will possess International Marketing knowledge in

We are offering an excellent package to the right candidates. Interested professionals to forward their CVs and their handwritten cover letters in the strictest confidence to:

Dena Ltd., Dena House,

his relevant geographical area.

Progress Way, Enfield, Middlesex EN1 1UU (Tel. 0181-366 6623 Fax 0181-366 6614/5)



Please write enclosing your C.V. to

PO Box 984, London EC4R 2TL

Japan & Far East Fund Manager

Excellent Salary + Structured Bonus + Benefits

The Investment Management subsidiary of a Merchant Banking Group wishes to appoint a talented

Fund Manager to lead the Japan and Far East desk. The ideal candidate must be able to demonstrate

a strong track record in previous performance. The individual will have at least 4-5 years' experience,

Looking for your next consulting job? Visit us at http://www.keygroup.com or try our fax on demand by calling USA 301 891 6868 or Tel: 301 891 2525

### APPOINTMENTS

DYNAMIC MANAGEMENT TEAM WITH RETAIL & SERVICES START-UP EXPERIENCE SEEKS NEW PROJECT IN ITALY Contact: C. Pelanconi

Tel: 39-2-8392793 Page 39-2-48403302

WANTED

sound knowledge of the above markets and the drive and ambition to produce results. This challenging and demanding role presents a unique opportunity for a high calibre individual to further develop their career within their chosen market.

For a confidential discussion please contact Patrick Morrissey. Tel: 0171-236 2400, Fax: 0171-236 0316 or apply in writing to Sheffield-Haworth Ltd., Prince Rupert House, 64 Queen Street, London ECAR 1AD.

The World Bank, the leading multilateral lending agency in the field of global economic development, is seeking qualified individuals for the following positions:

# Finance Specialist

DUTIES/RESPONSIBILITIES: Take lead responsibility in assisting Bank managers in putting together, complex cofinancing packages involving export credits, commercial bank financing and development assistance financing from bilateral or multilateral sources; provide advice on borrowing cost reduction and on feasible market techniques by which exchange and interest risks could be contained.

RECUMPEMENTS: Advanced degree in Economics or Finance; at least 6 years relevant experience in a lead role arranging export credit financing or bank project financing for large projects (preferably in infrastructure, power & energy sectors) both in traditional and limited recourse basis; operational experience with project finance in commercial bank medium term lending; excellent negotiation and communication skills; proficiency in English and one other language (preferably French, Spanish, Chinese, or Russian). CODE: CPS/96

### Capital Markets Specialist

DUTIES/RESPONSIBILITIES: Work on the development of securities markets in the financial systems of developing countries; analyze the economic, regulatory, and institutional aspects. of securities market operations in developing countries; and formulate policy & operational recommendations to promote the role and effectiveness of securities markets

REQUIREMENTS: Advanced training in finance, economics, or business; at least 5 years experience in a senior position in a central bank, regulatory agency or self-regulatory agency, or. in the treasury function, asset-liability management, strategic financial planning or advisory unit in a commercial or investment bank hands on knowledge of market dealing, accounting and back-office functions, knowledge of securities market policies and practices including regulatory and supervisory framework, ability to design, plan, and implement financial market arrangements for a financial center,

capacity to provide technical assistance and advise on market practices, rules and regulations; thorough understanding of macro-financial policies, open market operations, and techniques of monetary management.

Both positions are based in Washington D.C. Salary and benefits are internationally competitive. To apply, please fax a detailed resume or curriculum vitae, indicating the job code, to FAX 202-477-1831, or mail to THE WORLD BANK, STAFFING CENTER, Room 0-4140, 1818 H Street, N.W., Washington D.C. 20433, USA, within 14 days of this advertisement.



### Compliance Manager & Company Secretary

Director Designate, Underwriting Company

Our client is a long-established combined agent at Lloyd's managing a Syndicare in addition to the Members Agency. As a result of reorganisation there is a need for a Compliance Manager.

On completion of the restructuring, during 1996, the recruit will become a Director and Company Secretary of the new company.

Responsibilities will be for ensuring a rigorous compliance environment and for initiating new working practices to conform to the regulatory environment. This will include financial at reporting, methods and systems, documentation, external communications, the supervision of timely and accurate returns to the regulatory body and marching compliance with new requirements as they are notific

Responsibility will also be taken for accounting, office management and training and development. adidates should be qualified Accountants or Chartered Secretaries or ACII and have at least three, and preferably five, years of Lloyd's marker compliance management experience.

At least part-achievement of the Lloyd's regulatory qualification is desirable. Age range is 40 to 50 with some flexibility either side. Salary is in the range of £40,000 to £45,000 plus benefits. Please forward a full CV, with salary details, quoting reference number 1232, to Tony McKiddie, Kidsons Impey Search & Selection Limited
29 Pall Mall, London SW1Y 5LP Tel: 0171 321 0336 Fax: 0171 976 1116



Search & Selection Limited international Search Group

### Managing Director (Designate) **Underwriting Company**

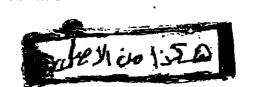
Our client is a long-established combined agent at Lloyd's managing a Syndicate in addition to the Members Agency.

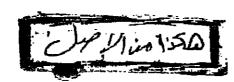
On completion of a restructuring, during 1996, the recruit will become the Managing Director of the new company. General management responsibility will be taken for all aspects of the business and there will be particular emphasis n liabon with capital providers and upon business development. The position may not require a full working week, Applicants, probably aged over 45, will ideally have had significant, prominent and successful association with the Lloyd's/London insurance market. Salary will be negotiated against expected contribution to the company.

Please forward a full CV, quoting ref. no. 1250, to Tony McKiddie, Kidsons Impey Search & Selection Limited 29 Pall Mall, London SW1Y 5LP Tel: 0171 321 0336 Fax: 0171 976 1116



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FINANCIAL TIMES FRIDAY MAY 3 1996

### WestMerchant

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### Corporate Finance Manager

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Please send full cv, stating salary, ref FS60407, to NBS, 10 Arthur Street, London EC4R 9AY

QUALIFICATIONS

2-4 years of corporate finance experience within a leading investment bank, top six accountancy firm or

major industrial company. Exposure to both public and private transactions will be a distinct advantage.

lawyer or MBA; certainly a team player with initiative,

with good IT and financial modelling skills. Strong

communication skills, a second language ability an

Good degree and likely to be a chartered accountant

creativity and flair.

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#### THE COMPANY

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- ◆ Report to MD. Responsible for rigorous credit analysis and procedures across the business. Lead
- Constantly review and enhance credit policy. Liaise with regulatory authorities. Work to tight deadlines.
- ◆ Liaise across departments in London and internationally. Prepare and review recommendations to Credit Committee. Regular reviews of existing lines. QUALIFICATIONS
- ◆ Graduate calibre, possibly ACA or solid credit training. Minimum 7 years' credit experience.
- Excellent analytical ability. Tenacious with astute commercial judgement.

  Comfortable in dynamic, demanding environment.
- Persuasive and articulate with strong interpersonal skills. Highly credible team player.

Please send full cv, stating salary, ref PS60501, to NBS, 10 Arthur Street, London EC4R 9AY





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#### **ACCOUNTANCY APPOINTMENTS**

### **FINANCE** DIRECTOR

Milton Keynes £50,000 + car + bonus + s/options

Our client is a highly respected plc, a market leader within its field and, due to the nature of the multi-sited service it provides, a well known household name. Over the last year the combination of acquisitions and the introduction of sophisticated information technology has transformed the scale of operations and provided a distinct commercial advantage within the marketplace.

As a direct consequence of this growth a Finance Director is now sought for a key £30m t/o division. Prime duties will be to establish tight financial controls, extend the IT capabilities from the commercial operations into finance and, most importantly, to work with the board to provide divisional strategy and development.

Candidates will be qualified accountants, probably aged late thirties, with a proven track record of senior management achievement ideally gained in a sales and marketing multi-site environment. Strong management, communication and teamwork skills are essential coupled with a clear pragmatic approach. This is a highly visible role within the pic and one that requires, energy, enthusiasm and commercial credibility at the most senior levels.

Please write enclosing full curriculum vitae quoting ref 648 to: Philip Cartwright FCMA, Cartwright Consulting, 3 Wigmore Place, Cavendish Square, London W1H 9DB Tel: 0171 371 9476 Fax: 0171 371 9478

> CARTWRIGHT CONSULTING FINANCIAL SELECTION & SEARCH

### **Finance & Administration Manager**

Vienna

Austria

Our client is the world's largest independent biotechnology company. For their fast expanding European operations, we are searching for a Finance and Administration Manager for a new Austrian affiliate. The successful candidate will be responsible for all F&A matters, including balance sheet, personnel issues, controlling as well as distribution related affairs. Dynamic professionals having relevant experience in a similar position within the healthcare industry, being bilingual German/ English, are invited to send their CV and contact details, quoting ref: 434, to:

#### Opportunities abroad

Key aspects of Government Reform Project (KAGORP) -funded under the British Government's Know How Fund for Eastern & Central Europe.

Ukraine

#### Advisor to the National Bank of Ukraine

Duties include: to advise and assist the National Bank of Ukraine in the reform of the accounting system in the banking sector. The postbolder will work to the Chief Accountant and assist with the implementation of banking reforms which will enable the Ukrainian banking system to function on the basis of internationally accepted accounting standards.

Qualifications and Experience: EU nationals; quantifications and experiences EU nationals; fluent Russian and/or Ukrainian speaker; knowledge of both western and FSU accounting systems; recent experience of assisting with the delivery of an implementation programme for economic reform; good interpersonal skills; experience of working in a UK and an

Selexy: £34,500 to £50,000 depending on qualifications

Contract: one year, commencing mid-June 1996. Benefits: free accommodation; airfares and baggage

allowance; medical cover; superannuation compensatiowance of 16.75 per cent of salary.

Closing date: Wednesday 22nd May 1996. Requests for further details and an application form, quoting post reference: 96/S/004 and enclosing an A4 s.a.e. (38p), to: Overseas Appointments Services, The British Council, Medlock Street, Manchester M15 4AA.

Telephone: 0161-957 7383. Fax: 0161-957 7897. The British Council and the ODA are committed to a policy



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**ACCOUNTANCY APPOINTMENTS** 

# **Financial Controller**

#### Budapest

Our client is a growing force in telecommunications in Central and Eastern Europe. It now owns 12 companies located in Hungary, Poland, the Czech Republic and Romania, and plans further acquisitions.

They now seek a commercially minded Financial Controller to play a key role in the financial and commercial development of their businesses in the region. Reporting to the CFO, responsibilities will include monthly management reporting to the US, implementation of systems and procedures, ensuring local statutory reporting requirements are adhered to as well as supervising tax and treasury matters. In addition, he/she will assist in assessing new business opportunities and help in developing local staff.

The successful candidate will be a qualified

### **\$ Attractive Package**

accountant with industrial experience, preferably gained within a telecommunications or hi-tech environment. A high degree of computer literacy together with a knowledge of International Accounting Standards are required.

The person will also need to demonstrate strong organisational and interpersonal skills. Previous experience of working within the region and/or any relevant language ability would be advantageous but not essential.

Interested candidates should forward a comprehensive CV, stating a daytime telephone number and current remuneration details, erence 287957, to Hugh Evera Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH, or fax +44 (0) 171 404 6370.



Michael Page Eastern Europe

International Recruitment Consultants

# EUROPEAN CORPORATE AUDIT

#### Challenging Role within Global Technology Group

With operations spanning 70 countries and a turnover in excess of US\$2.2 billion this rapidly growing international group has achieved significant competitive advantage in their core businesses. Their reputation is first class and their track record as pioneers, developers and providers of leading edge technologies and professional consultancy in sectors such as oilfield services and industrial automation is second to none. Their managed international solutions have set the standard which has become the industry benchmark.

London

As a result of continued organic and acquisitive growth this exceptional opportunity has arisen for a finance professional to join a small, high profile team providing value added consultancy services to the European operations. Reporting to the Head of European Audit, your varied brief will focus on financial and operational reviews and special projects, including acquisition reviews across a range of

to £45,000 + Benefits

- Qualified, ideally 'Big 6' with international experience gained from either the manufacturing or service industry Highly motivated, mature and results oriented with natural interpersonal skills
- Independent and resourceful and capable of working successfully with limited supervision
- Able to forge strong international links, financial and otherwise within a changing organisation Relishing the prospect of a high profile role with up to 75% travel, half of which will be in Continental Europe and the U.S.
- Fluent in another European language, preferably German

This represents an exciting and challenging opportunity for the right individual to impact positively on the shape and growth of this successful international group. Opportunities for career progression within the group are excellent.

Interested applicants should apply immediately to Robert Macmillan or Sarah Freeman, stating current remuneration and quoting reference number UKR0012 at Nicholson International (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London, WC1V 6AS, England. Alternatively telephone on +44 (0)171 404 5501, fax your details on +44 (0)171 404 8128 or Email:



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#### FINANCIAL ACCOUNTANT

c. £35,000 PLUS BONUS & BENEFITS

A new appointment for a rapidly growing petrochemical company trading and distributing a range of solvents; and manufacturing automotive chemicals - artifreeze, coolants, brake fluids, screen washes. There is a large tank farm and blending facility of Humberside. Subsidiaries in Dubai, Sweden, Belgium. Sales £85m last year representing about 150,000 tons of product delivered. Role includes: financial analysis, management reporting, statutory accounts. Possible opportunity for relocation overseas in due course for anyone interest but this post is Wimbledon based, with a little travelling now and then. Qualified accountants with commercial experience, lively interests and sense of humour, who would fit into this small, high pressure team (70 in all) should send full CV in confidence to Bill Lubbock, Chairman.



Petrochem UK Ltd Rowan Court, 56 High Street Wimbledon Village SW19 5EE

Thorburn-Geiger Group, POBox 1225, 1001 Lausanne, Switzerland Fax: +41 21 6131029

c. \$40,000 + CAR + BONUS

# Group Controller

£200 Million Expanding Group

#### London

- Professional Group Management, accomplished at acquisitions
- Full plc exposure and international dimension
- Number two to Group Finance Director
- Responsible for Group results, accounting policy, tax and balance sheet management
- Requires active commercial and professional relationship with operating companies and divisional management

Please send full cv, quoting Ref 2710, to: S+T+C Selection, 54 Jermyn Street, London SW1Y 6LX.

#### £60,000 - £65,000 plus long term incentives and options

- · Key role in acquisitions and integration
- · Graduate chartered accountant with plc head office experience, and exposure to modern manufacturing
- Productive pc user, able to specify group IT infrastructure
- Probably aged 30s, strong professional credentials and inquisitive commercial brain.

### REGIONAL FINANCIAL CONTROLLERS

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CARDIFF, WEYBRIDGE

management team.

- Maintaining high financial control standards Exciting opportunity to join market leading retailer of through a Regional Finance Team. branded capital goods/services. Help spearhead a major Candidates will be qualified accountants, with strong change programme and contribute to business financial and analytical skills gained in an operational development as a key member of the regional senior
- · Part of a major plc with turnover in excess of £1 billion, highly regarded for its commitment to customer service and quality, and offering considerable scope for future career development.
- Highly commercial role, focused on:
- Challenging traditional business processes; Analysing customer/product profitability;
- Reshaping the business to deliver better returns; Delivering accurate business plans and forecasts:

Please apply in writing quoting reference with full career and salary details to:

Susan Ryder

11 HB Street, London W1X SBB Tel: 01"1 290 2045 http://www.gbnet.co.uk/whitehead

- Good intellect and rounded business awareness are essential, together with the commercial acumen to ensure the profusble delivery of outstanding customer service.

environment, and preferably within a multi-site retail/

 Well developed interpersonal skills - able to persuade and influence across the business, as well as manage and motivate others. Unquestionably customer driven

and a team player who can shape as well as monitor.





STANDARD PRODUCTS LIMITED

### **Company Financial Controller**

#### Huntingdon

Competitive Salary + Benefits + Relocation

tax, budgeting, forecasting and consolidation.

50% will be statutory accounts, treasury, cash management,

Candidates will be qualified ACA, either from a top 20

firm with at least 3 years post qualification experience and

significant involvement with manufacturing clients or have

at least 2 to 3 years experience in a commercial

manufacturing accounting role. You will be an excellent

communicator with good commercial knowledge and a

continuous improvement mentality. Cost tracking

experience and a working knowledge of French would be

This is a challenging and varied role for a proactive and

Standard Products Limited is an expanding £60m turnover company and is the UK subsidiary of a US Fortune 500 company with a worldwide billion dollar turnover. They are a market leading manufacturer of rubber scaling and decorative plastic trim for the global automotive industry and have implemented focused continuous improvement techniques throughout the four main manufacturing sites in the UK.

This is an opportunity for a commercial ACA to develop this broad role, reporting to the Finance Director, and allows the candidate to make a real contribution to the bottom line in a highly competitive environment with responsibility for a small team. 50% of the Financial Controller's role will be proactive financial control and guidance.

Please send CV and full salary details to Chris Robinson. Closing date for applications Monday 13th May 1996.



Phoenix Search & Selection, Milton Hall, Milton, Cambridge, CB4 6AB Tel: 01223-441661 Fax: 01223-440851

### FINANCIAL CONTROLLER

London

£40,000

Our client is a major international retailing group which has undergone strategic reorganisation to maximise potential within existing and

As a result an opportunity now exists for an ambitious individual who is committed to a career in retail. In an operational capacity you will be responsible for performing all aspects of financial control, providing management information and supporting the Financial Director. A stand alone role with decision making responsibility, it requires the following skills and experience:

- Achievement in a results orientated environment.
  - Proactive, innovative approach to problem solving.
- Communication across the business
- Line management and systems exposure.

An entrepreneurial and highly motivated self starter with strong interpersonal and technical skills, you will be a qualified accountant probably in your early 30s. Committed to developing the finance function as a resource to the business and comfortable maintaining relationships cross functionally, you will benefit from the progressive management ethos in a supporting environment,

To discuss this opportunity, please contact Deborah Shearer on 0171-405 4161. Alternatively send your CV to her quoting salary in total confidence at the address below

FMS, 5 Bream's Buildings.

Chancery Lane. London EC4A 1DY Tel: 0171-405 4161 Fax: 0171 430 1140

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### MULTI-NATIONAL - MANUFACTURING **Financial Controller**

North West £45,000 + Car Allowance

Our client is a substantial multi-national manufacturing business. They are highly profitable and progressive with a track record of sustained growth and significant further expansion is envisaged through a combination of acquisitions

The key position of Financial Controller offers a wide range of responsibilities in a demanding business environment. Reporting to the European Financial Director and managing a sizeable team, you will provide a central finance and management information service for several European subsidiaries and also be responsible for developing and enhancing the quality of analysis and reporting to the European Headquarters. In addition, you will handle all UK statutory reporting requirements.

To fulfil these wide-ranging responsibilities, you must be a qualified accountant, probably aged 35-45, possessing the skills to cope with individuals from a wide range of disciplines and

cultures, coupled with the leadership ability to successfully combine responsibility for personnel management with the financial aspects of the position. This role will appeal to a good motivator with integrity, common-sense and commercial awareness. A second language would be advantageous.

The company offers excellent career prospects, a competitive salary, car allowance and other benefits commensurate with a leading multi-national company.

Please send your CV in the strictest confidence, quoting reference number FT/5389, to:

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Hays Executive STRATEGIC SEARCH & SELECTION

Liverpool Housing Trust is one of the country's leading housing associations with over 8500 high quality homes across Merseyside. In the increasingly competitive housing association sector. LHT is successfully bringing commercial values and practices to the provision of affordable housing services. They have an aggressive development programme of over 300 homes per annum and reinvestment plans exceeding £20 million. Their financial performance gives them appears a provision of the provision financial performance gives them an enviable platform for the future, supported by a clear business plan and an established Trustwide commitment to TQM.

#### The Opportunity

You will manage a revenue budget of c£15 million and annual capital spend of c £20 million. Leading a central team of 12, you will also have responsibility for controlling decentralised financial functions throughout the Trust and, as a key member of the management team responsible to the Chief Executive, you will report to the board. As part of the continuing drive for best services at lower cost, you will lead on the plannard review of financial services. Other key elements will include: planned review of financial services. Other key elements will include

- Development of improved management information
- Budget planning and monitoring
- Treasury management and raising private finance Statutory and regularity reporting
- Long term business planning High level representation

#### The Appointee

 A qualified Accountant with strong technical grounding in finance and business, either in the public or private sector

- A team player experienced in achieving and delivering results through people An ability to understand and interpret complex business issues, credibly and
- concisely
- Proven experience in operating effectively at board level
- Ability to contribute to a results orientated participative environment

Practical expenence of developing accurate and timely management information

To apply please write including your cv and current salary details to our Recruitment Advisor, Simon B Potts, Hays Executive, 29 Stamford New Road, Altrincham, WA14 1EB. Tel: 0161 929 1689. Fax: 0161 926 8561. Closing date 16th May 1996. Interviews will be held from 3rd June 1996. Liverpool Housing Trust is an equal opportunity employer.

